



## MiP evidence to the SSRB on making pay more market-facing in local areas

### **Introduction**

Managers in Partnership (MiP) welcomes this opportunity to provide evidence about market-facing pay in local areas to the Senior Salaries Review Body. MiP represents senior managers in the health service paid on a salary level equivalent to Agenda for Change band 8 and above. We have nearly 6,000 members, including over 200 chief executives, working across the range of NHS organisations. About a third of our members work in primary care trusts and another twelve per cent work in strategic health authorities, arms length bodies and ambulance trusts. Many of these members are paid on the Very Senior Managers Pay Framework for executive staff and we feel we are well placed to submit evidence on their behalf to the Senior Salaries Review Body.

### **Summary**

In our view, the health service is a national service and operates within a national labour market, especially at senior management and clinical levels. The most efficient form of pay determination is through a national pay framework. We believe that a nationally agreed job evaluation scheme is the most effective means of determining pay for VSMs, with provision for adjustments in high cost living areas and in local areas where there are recruitment and retention difficulties. This system works well at present for those on Agenda for Change, and provides for geographic variations in labour markets.

The reward system for VSMs, as for other members of the healthcare team, should reflect the value of the skills, knowledge and experience they bring to the team and the challenging nature of their work.

All members of the healthcare team make a valuable contribution to delivering high quality services to patients, and it is important to maintain transparent and fair pay structures which maintain fair internal relativities that comply with equal value principles. National pay frameworks are the most effective and efficient way of maintaining control over pay levels. It is important to maintain consistency between VSM and Agenda for Change pay settlements, so if Agenda for Change continues as a national pay framework, so should the VSM pay framework.

## **Career paths of VSMs**

The SSRB has particularly asked us to provide evidence on the career paths of managers on Very Senior Manager pay (VSMs). We provide an overview in our response, but we hope that in April we will be bringing together more detailed evidence on this which we would like to discuss when we provide oral evidence to the SSRB.

## **Where VSMs are recruited from and move to**

In our 2011 survey of members<sup>1</sup>, 84% of respondents had worked in healthcare for ten years or more. About half of managers in the NHS are clinicians by background. This and other survey responses suggest that VSMs are recruited from within healthcare. Like other members of the healthcare team they have a vocational commitment to healthcare.

## **Do VSMs operate in a national or local labour market?**

The market for senior managers in the NHS is a national market. Our members are happy to move to different parts of the country to pursue their career. It is not a local labour market, and VSMs often choose to commute some distance to their place of work, crossing regional boundaries in the process.

## **Could a new local pay approach be delivered within national frameworks?**

In theory it could. But in our view a new approach is not needed, as it already exists in the mechanisms for recognising local differences in labour markets in the NHS Agenda for Change pay framework. High Cost Area Supplements recognise the higher cost of living in London and the South East, and are graded from Inner London to Outer London and the London Fringe, which covers parts of Kent, Essex, Bedfordshire, Hertfordshire, Thames Valley, Surrey and Sussex. They can also be used in other areas of the UK where a valid case can be made. Agenda for Change also allows for long term and short term recruitment and retention premia to be applied on a national or local basis where a valid case is made.

The Government proposals for market-facing pay are based on the assumption that it is easy to make geographical comparisons of pay rates in the public and private sectors. However, a recent report from the Office for National Statistics concludes that: 'It is difficult to make comparisons of the two sectors because of differences in the types of job and characteristics of employees.'<sup>2</sup>

---

<sup>1</sup> Life as a healthcare manager in 2011: report of MiP's survey. Feb 2012. *MiP carried out an online survey. We had 349 responses, 44% of them in Ambulance Trusts, PCTs, SHAs or Special Health Authorities.*

<sup>2</sup> Estimating the differences in public and private sector pay – 2012, ONS. 27 March 2012

The report shows that the public sector is made up of a higher proportion of higher skilled jobs, containing more people with a degree or equivalent. It also shows that the gap between the lowest and highest earners is higher in the private sector, with the top 5% of earners paid around 5.7 times more than the bottom 5%. The gap is 4.5 times in the public sector. The ONS report also shows that if an employee has a degree or equivalent, they are, on average, likely to earn more in the private sector than an employee with a degree in the public sector. Furthermore, the ONS report points out that the top 5% of workers in the private sector earn considerably more than the top 5% of public sector workers (£33.54 per hour compared to £31.11 per hour).

Similar problems were identified by Income Data Services in a report looking at the differences between public and private sector pay.<sup>3</sup> It draws attention to the differences between the labour force in the two sectors, 'The private sector in comparison [to the public sector] contains a much wider variety of employees, with a much higher ratio of unskilled workers with few qualifications, but also much larger rewards available to those at the top of their professions. It has the largest number of the highest paid employees (in finance and business services) and the largest number of the lowest-paid (in retailing, hotels and restaurants and cleaning), as well as all those in between.' This poses the question whether different local pay areas would apply for different sections of the NHS workforce.

Very senior managers are now in the third year of a pay freeze and will suffer a cut in take home pay when the new pension contribution rates are introduced in April. The private sector is, however, now seeing an upturn in pay settlements. Figures from IDSPay.co.uk show that the median pay settlement in the three months to November 2011 was 2.5%, up from 2.4% in the three months to October. Pay freezes continue to decline in the private sector, and in 2011 just 6% of settlements resulted in a pay freeze. In our view this, combined with other downward pressures on healthcare managers' morale, will cause difficulties in recruiting and retaining skilled managers in the near future nationwide. This needs to be addressed at a national level.

The NHS Staff Side evidence to the NHS Pay Review Body provides detailed analysis of the detrimental impact of a move to market-facing local pay arrangements in the NHS.<sup>4</sup>

### **How to ensure that proposals comply with the law on equal pay – and that pay is seen to be fair?**

Ensuring that the mechanism for determining pay complies with equal pay legislation will not only protect NHS employers from litigation, it will also help to demonstrate to employees and to tax payers that the pay system in the NHS is fair, objective and transparent.

---

<sup>3</sup> Public and private sector earnings: fact and fiction, IDS Pay Report 1075. June 2011

<sup>4</sup> NHS Staff Side response to NHS Pay Review Body call for evidence on market-facing remit on pay in local areas. March 2011

A robust job evaluation scheme, which is objective and transparent and based on equal value principles, is the best mechanism to enable NHS employers to determine fair rates of pay for their managers in relation to each other and in relation to the rest of the healthcare workforce in their organisation and thus to feel confident that their pay systems comply with the law on equal pay.

The DH has commissioned the development of a job evaluation scheme to determine pay for managers on VSM pay in Arms Length Bodies. MiP has been pleased to contribute to the project to produce this job evaluation scheme and we are of the opinion that this scheme could be used to determine pay grades for others on VSM pay. In fact the need for this is becoming greater as the Health and Social Care Act passes into law and NHS commissioning is restructured into a myriad of special health authorities, Commissioning Support Services and Clinical Commissioning Groups.

Any proposals for the future of pay determination in the NHS need to take account of the recommendations put forward in the Review of Fair Pay in the Public Sector carried out on behalf of this Government by Will Hutton<sup>5</sup>. This states that high quality public services require high calibre leaders to deliver them, especially in difficult fiscal conditions. It points out that this requires a delicate balance to be struck to achieve fair and adequate levels of reward for senior public servants at the same time as giving assurances to the taxpayers that they will get value for money from public resources. The report recommends that there should be transparency about pay determination, that reward should be proportional to the weight of each role, set according to a fair process and should recognise that organisations' success derives from the collective efforts of the whole workforce.

At present, healthcare managers feel that their pay is fairly determined. In MiP's survey<sup>6</sup>, 75% of healthcare managers felt they were fairly rewarded for the work they do. The same proportion felt they were fairly rewarded compared to colleagues in their own organisation, but just 38% felt they were fairly rewarded compared to the private sector.

Again, in our view, the implementation of a robust, objective and transparent national job evaluation scheme will help to ensure that NHS organisations employing VSMs can comply with the Hutton recommendations and maintain a sense of fairness

## **Morale**

The Hutton review acknowledges the importance of remuneration in maintaining good morale. Our survey tested the mood of healthcare managers in 2011, and

---

<sup>5</sup> Hutton Review of Fair Pay in the public sector: final report. March 2011

<sup>6</sup> Life as a healthcare manager in 2011: report of MiP's survey. Feb 2012

just 46% of respondents were very or fairly happy in their job, compared to 55% last year and 57% in 2009. Equally worrying, this year, only 55% would recommend a career in healthcare, compared to 62% last year and a massive 79% in 2009.

Asked how they felt about the future of the health service, 72% felt very or fairly negative, compared to 64% last year and just 29% in 2009.

### **NHS restructuring**

The NHS is going through the biggest restructuring in its history – organisational change so big it can be seen from outer space, as David Nicholson so aptly described it. Now is not the time to undermine the national pay systems which currently operate within the NHS. Very senior managers are expected to manage this organisational change and to show leadership to their workforce, they should not have their morale further undermined by tinkering with the accepted method of pay determination.

The human resource capacity of the organisations in the remit group has already been cut and what remains must focus on organisational change affecting over 50,000 employees. It would be risky and overload the system to set a further priority of establishing a wholly new system of pay determination.

### **Recruitment and retention**

Many of the points raised above illustrate the problem confronting the NHS over the recruitment and retention of skilled and motivated healthcare managers in a period of major upheaval. Concern has already been expressed about the loss of talent as the cuts are biting. The NHS needs to be able to recruit and retain high calibre managers to see it through the challenges it will face in the next few years. It needs to be able to attract and retain high calibre managers throughout the health economy and it cannot afford to risk losing those managers in areas of the country which have depressed economies.

A well-thought out national job evaluation scheme, fairness and consistency in pay decisions and access to high quality, vocational work, free of unnecessary re-organisation and interference: these are more important factors than market facing pay in the recruitment, retention and motivation of very senior managers in the NHS.

29 March 2012

Jon Restell

MiP chief executive

020 7121 5145; 07908 209484