Flexible workforce: strategic planning to reduce costs and improve quality

Temporary staff in the NHS are essential for helping employers meet variations in activity levels, cover vacancies and short-term staff absences, and also bring in specific skills for short periods of time. However, high levels of poorly managed temporary staff – both medical and non-medical – can be costly and may adversely affect patient safety.

With the NHS expected to reduce management and agency costs by 45 per cent and make £500 million in savings by 2013/14, this Briefing will help to inform strategic planning for your temporary workforce that will both reduce costs and make the most of your available resources.

Key points
- This Briefing has been produced in partnership with the Department of Health and workforce leaders as part of a task and finish group to develop a national strategy for temporary staffing within the NHS.
- Trust directors must understand their workforce needs in order to plan effectively and develop a workforce strategy that will deliver savings in the long term.
- A planned, flexible mix of substantive and temporary staff can deliver cost savings and a high-quality patient experience.
- Knowing the different financial and safety costs of different types of temporary staff will help trusts to make effective decisions about their flexible workforce.
- Cultural change, supported by senior leaders, will be needed to implement a robust flexible workforce strategy.

Background
Pressure on the NHS to reduce spending on agency costs has brought into focus the way that employers manage their flexible workforce. Employers have used agency staff in a range of situations as a way to quickly fill difficult gaps and to ensure that services continue to be delivered. However, a review of agency costs over recent years shows a marked increase: total agency spend within the NHS grew by 57 per cent to £1.9 billion from 2007/08 to 2008/09. The increase affected all staff groups, although the administrative and clerical staff group saw
particularly prominent growth. Growth was also notable for scientific, therapeutic, technical, medical and dental staff.

Further increases in costs of agency staff can be expected from October 2011, when the Agency Workers Regulations (2010) come into force. These grant agency workers the same working and employment conditions as substantive employees. It is expected that agencies will increase fees in order to meet their increased costs, especially for those staff employed after the 12-week qualifying period. Without a planned approach to temporary staffing, employers will see a rise in these costs.

A strategic approach is needed in order to develop a more flexible and responsive workforce and to avoid inappropriate responses to cost pressures.

Current financial pressures and the quality, innovation, productivity and prevention (QIPP) agenda provide an opportunity for organisations to reflect on how temporary staffing has been managed in the past and what a successful long-term strategy, linked to effective workforce planning, might look like for the future.

Finding the right mix
Delivering patient outcomes, while maintaining quality and making efficiencies, will not always be possible using the substantive workforce alone. Financial reviews and safety considerations relating to temporary staffing are motivating employers to review their flexible workforce and, understandably, they are often looking for immediate action and fast results.

While disbanding existing staff banks and pools could be seen as a solution to financial pressures, it is unlikely to equip trusts for flexibility in the long term. A range of options for using different parts of your flexible workforce in a planned way will be needed to meet both the immediate and long-term challenges the NHS is facing.

Employers have a range of options for meeting their temporary staffing needs. Agency staff may be engaged locally or through framework agreements, bank staff can be managed in-house or through an external bank provider and substantive staff can be deployed in a variety of work patterns, including paid overtime.

Employers should consider productivity and cost, alongside quality and safety, as part of their flexible workforce strategy.

Productivity and cost
Each workforce option has associated costs, both financially and in terms of patient safety and experience. To begin to reduce spending on your flexible workforce it is necessary to identify the costs associated with different types of temporary staff.
A National Audit Office report\(^1\) on temporary nursing staff provides the above example of the average costs of a D grade nurse (see Figure 1).

Even allowing for increases in costs since publication and regional variations, there is an obvious scale of spend and a large increase in costs for agency staff. If we assume that a similar structure of costs applies to other roles and staff groups, a reallocation of flexible workforce from agency to substantive and bank staff is likely to generate efficiency savings.

Other than pure cost per hour, other indirect costs should also be taken into account when considering temporary workers other than substantive staff. Time taken to arrange provision of temporary staff and time to induct, train and supervise are costs which are more difficult to quantify, but nonetheless impact upon productivity.

A lack of specific organisational knowledge (local procedures and patient history) can also make it difficult for agency staff to hit the ground running. This can also impact on substantive staff, leaving them to deal with the added pressure of supervision, training and induction.

Of course, there may be instances when agency staff are the most appropriate option but the choice to use them should be based on sound decision-making processes.

**Quality and safety**

Quality and safety is another important factor to consider when choosing to engage temporary staff. Recent research on agency nursing staff\(^2\) called into question the quality of agency staff, with interviewees stating that some of them would be unemployable as substantive staff. They cited issues with a lack of continuing professional development and with agencies embellishing staff skills.

All staff, including agency and substantive staff, are bound by UK working time regulations unless they have individually chosen to opt out by writing to their employer. Doctors in training opting out may work up to 56 hours, the maximum laid out in the New Deal contract.

Poor performance of bank and agency staff may go unreported\(^3\) and this poor performance could potentially be repeated in other departments or organisations.

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**Figure 1: Example of average costs of a D grade nurse**

<table>
<thead>
<tr>
<th>Staff Category</th>
<th>Average Cost (£ per hour)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NHS Professionals</td>
<td>£13.51</td>
</tr>
<tr>
<td>Nursing bank</td>
<td>£13.73</td>
</tr>
<tr>
<td>Permanent nurse</td>
<td>£14.84</td>
</tr>
<tr>
<td>Nursing agency on framework agreement</td>
<td>£16.00</td>
</tr>
<tr>
<td>Nursing agency not on framework agreement</td>
<td>£19.11</td>
</tr>
</tbody>
</table>

*Source: National Audit Office (2006)*
Organisations should have reporting and recording processes in place and these should include logging problems centrally and passing information on to registered bodies and agencies. In some circumstances agency staff may be the best choice for patient safety. In areas of high specialty where there may also be skill shortages, such as the nursing specialty areas of theatres, intensive care and paediatrics, a skilled agency worker could be the correct decision. Use of agency staff also allows organisations to respond rapidly to changes in activity levels, to maintain services where there are gaps and to bring new ideas and knowledge into the trust. Certain circumstances aside, on average the cost and quality of temporary staff can be generally mapped on a scale (see Figure 2), where substantive and bank staff provide greater cost efficiencies and safety while agency staff represent greater spend and a greater potential for reduced service quality.

There is clear evidence that filling flexible workforce requirements through substantive and bank staff can deliver efficiency savings and better patient experience and care. This suggests that, for cost and quality reasons, employers should consider moving away from agency staff to planned and flexible use of substantive and bank staff as part of their flexible workforce strategy.

### Knowing your organisation’s flexible workforce requirements

For a planned flexible workforce strategy to be successful
employers need to improve their understanding of temporary staffing through greater use of data and better demand forecasting. Regional variations, culture and particular organisational requirements mean that each employer needs to undertake its own thorough review. The following steps will help you to gain a clear picture of your organisation’s flexible workforce needs.

1. Understand your activity levels
Service leads should be involved in identifying and mapping annual demand and activity levels – the reporting functionality in the Electronic Staff Record (ESR) can assist with this. Establishment levels should cover basic staffing requirements and service peaks and troughs to reduce dependency on agency staff. Tools and information to support this process are available from the NHS Institute for Innovation and Improvement at www.institute.nhs.uk

2. Examine work patterns
Once staff establishment levels have been reviewed, an understanding of the work patterns and preferences of substantive and bank employees can give an indication of when potential staff shortages might occur. Examining staff annual leave patterns, and reviewing these on a regular basis, will allow for a planned response when annual leave requests are expected to be high, such as the end of the holiday year. For example, Guy’s and St Thomas’ NHS Foundation Trust carried out an annual leave calculation to establish when staff holiday should be taken throughout the year, helping the trust to achieve a more even distribution of leave. An additional review of employee contractual working hours will identify those staff with potential to vary their working patterns.

3. Review recruitment reasons and processes
The demand drivers of temporary staffing spend are likely to vary from organisation to organisation. Identifying and measuring the underlying reasons why temporary staff are requested in your organisation will highlight areas to be targeted in order to reduce the need for unplanned bank and agency staff. Reasons could be, for example, unfilled vacancies, cover for leave, staff sickness and unexpected demands in service. There may be additional reasons for requests which can be attributed to poor workforce planning such as temporary staff cover for planned study leave.

A review of the internal governance and control procedures that are in place for requesting temporary staff should also be undertaken. As well as examining any policies that are in place, it should identify how these are controlled and implemented and, where they are not followed, the reasons why.

Hertfordshire Partnership NHS Trust increased the level of authority needed to approve the use of agency staff to assistant

Case study: Understanding working pattern preferences
To provide a more cost-effective service to commissioners and patients, NHS Direct undertook a review of its frontline employees to understand their working pattern preferences. From this, ten distinct roster options were identified based on the learning about employee motivation, demographics and needs. Employees were then asked to select a work pattern ‘colour’ to sign up to contractually.

The project will reduce the number of staff required to meet demand, minimising sickness absence and staff attrition and providing a more attractive recruitment prospect for future staff. It is expected to save in excess of £3 million.
director level. This increased the scrutiny of the need for staff and consideration of how the requirement could be filled differently, ultimately leading to decreased use of agency staff.

4. Analyse spending
Consideration should be given to how flexible workforce spend is identified and recorded within an organisation. Enabling trusts to look at their total temporary staffing costs as a proportion of total staff spend allows for valuable benchmarking, both internally over time and with other employers. To fully understand temporary staff use, it is useful to understand temporary staff full-time equivalents (FTEs) as well as total spend, allowing trusts to consider value for money and changes by price and volume factors. How temporary staff spend is recorded will have an impact on the management information available on which to interrogate and report. Detailed financial records will allow for an itemised review of flexible workforce spend, benchmarking and measuring success.

Both senior managers and local managers should take responsibility for overseeing and controlling the expenditure on cover for planned and unforeseen absences within the workforce planning strategy, including use of non-framework agencies.

5. Use technology
Technology can be a valuable tool for collecting management information, managing the flexible workforce and delivering savings. Software can assist with workforce planning, identifying demand and employee work pattern trends, cost tracking and identifying underlying reasons for temporary staff use. Staff bank, e-rostering and contingency workforce management software should be considered as part of a successful planned flexible workforce strategy. Integration with the ESR should be an essential purchasing requirement.

E-rostering in particular is an increasingly useful way to involve and empower staff where the option of ‘self-rostering’ is available. As well as reducing the administrative burden on line managers, it allows staff to express their preferences to fit with non-work responsibilities, contributing to satisfaction and commitment. More information about implementing e-rostering can be found in NHS Employers’ guidance Electronic rostering: helping to improve workforce productivity.

Strategic options for managing the temporary workforce
Each individual organisation has different service demands, workforce issues, regional variations and temporary staffing demand drivers that make a ‘one-size-fits-all’ flexible workforce strategy difficult to formulate. Collecting relevant data and metrics can inform thinking and help organisations begin to develop options for a planned flexible workforce strategy. This might include some, or all, of the following options.

Case study: Reducing agency theatre staff costs
In 2006, University Hospitals of Leicester NHS Trust examined expenditure on agency theatre practitioners and identified an annual spend of £1.5 million. A project team was created to attempt to reduce the spend by half. To do this they identified and tackled the issues causing the high demand, such as number of vacancies, length of time to recruit staff, staff sickness and rostering. Additionally they developed an alternative to agency staff by setting up a theatre practitioners bank as part of their staff bank and completely stopped the use of related agency staff. The drop in agency expenditure actually exceeded the target considerably and without a corresponding rise in bank or overtime spend.
Reduce underlying reasons for temporary staff use
The majority of requests for temporary staff are due to unfilled vacancies, staff sickness, cover for leave, or unsuccessful workforce planning. There are several things employers can do in these areas to reduce demand for temporary staff.

• Reviewing recruitment figures at a senior level should be a key component of an ongoing strategy. In particular, time to hire should be measured and reviewed regularly, and followed up with a review of recruitment practices if necessary. Policies and procedures that assist in reducing turnover, such as induction, should be reviewed to prevent unnecessary recruitment from occurring in the first place.

• In the wake of the Boorman review, all organisations should be focusing on the health and well-being of their staff to reduce sickness absence and limit the need for temporary staff as a result.

• Poor workforce planning and rostering can generate an increased need for temporary staff. Workforce planning should be closely linked with demand planning and worked through at departmental level to ensure temporary staff are only used where necessary. E-rostering and other technology solutions can be used to improve staff satisfaction, save staff time and, therefore, generate savings.

Maximise use of substantive staff
Carefully identifying service activity and demands will help your organisation begin to predict where and when the need for staff will occur, allowing shifts to be filled with flexible use of substantive staff. Substantive staff are relatively inexpensive on the cost continuum and provide the greatest continuity of care and highest patient experience. Using substantive and bank staff allows the organisation to move to a phased flexibility approach, recognise cost efficiencies and maintain standards of patient care.

Use collected data and careful monitoring of successful use of substantive staff will allow employers to begin to develop their own optimal temporary staff ratio, based on the needs and requirements particular to themselves.

Use bank staff/pools to manage changes in activity
As well as filling gaps and maintaining services when demand is high, bank staff can prevent overstaffing should demand fall for a service in the short term. Providing a staff bank or pool (or sharing one with other trusts) allows organisations to ‘retain’ staff and their skills when there are no permanent positions available for them. This has been particularly beneficial for making the most of newly-qualified professionals, who can be shared across trusts through regional banks or pools while they await a substantive placement.

Staff banks also have benefits for those employed within them. The flexibility and choice

Case study: Tackling sickness absence to reduce temporary staffing
Blackpool, Fylde and Wyre Hospitals NHS Foundation Trust engaged board managers, senior managers and line managers in a project to tackle work-related stress. Sickness absence levels have fallen in each of the two years since the project was introduced, the trust achieving 4.3 per cent sickness overall in 2009/10, and there was around a 40 per cent reduction in cases of work-related stress reporting to occupational health. This project has improved the health and well-being of its staff and as a consequence reduced temporary staffing costs across the organisation.
case study: Graduate bank scheme

Due to concerns about graduate unemployment within the occupational therapy and physiotherapy professions, NHS North West worked with partner organisations to identify strategies to reduce graduate unemployment. The North West graduate allied health professionals (AHP) bank scheme was introduced in 2008/09 with approved independent sector suppliers to provide 100 physiotherapy and occupational therapy graduates for temporary/locum work within North West provider trusts. The region would retain the investment into graduate training, reduce loss of future workforce supply and provide cheaper alternatives to higher cost agency staff. Graduates were paid at the bottom increment of band 5 Agenda for Change rates (£10.86/hour) with a low commission rate of £3 per hour. Evaluation of the scheme indicated a high level of success with 97 per cent of graduates securing temporary work through the scheme and 90 per cent of provider trusts rating the graduates as good/very good. Due to the success, NHS North West is further funding the scheme from February 2010 to February 2011.

Of hours is advantageous to many, especially staff with family responsibilities and fulfils the right outlined in the NHS Constitution for flexible working³. Banks provide work experience opportunities to those unable to find permanent positions and also allow for personal development. They can provide additional income, generally on a short-term basis.

For those managing the staff bank, understanding the motivations of bank staff will help to improve the process for employers and staff. Policies to prioritise bank staff over agency staff can be put in place.

For example, Salford Royal NHS Trust recruited a pool of healthcare assistants for use in areas of high demand. They implemented a policy of not using agencies and drawing temporary staff resource from the pool, with positive results³. For highly-skilled positions where in-house knowledge and experience may be lacking, it may be appropriate for a clinical/business case to be put forward for use of agency staff.

For organisations without a staff bank, or the resources to create one, external staff bank providers do offer a service that is still highly competitive with agency prices and supplies staff to consistent national standards.

improve procurement

There will be instances when requirements for temporary staffing will involve recruiting outside of substantive and bank staff. There may also be occasions where the substantive and bank workforce does not have the skill set required to fill the role safely. Ensuring that robust procurement procedures are in place will ensure the most efficient spend.

Framework agreements can be negotiated to provide significant savings. As part of a planned flexible workforce strategy, procurement departments should ensure that framework agreements have been put in place with Buying Solutions (previously NHS Purchasing and Supply Agency) and should work with regional procurement hubs to exercise buying power, obtaining the best value for money.

Kingston Hospitals NHS Trust identified high expenditure on medical locums, using agencies outside of its framework on a regular basis. To combat this,
ON SERVICE NEEDS AND STAFFING REQUIREMENTS!S SUCH IT IS DIFFICULT TO BENCHMARK SUCCESS ACROSS DIFFERENT ORGANISATIONS. COLLECTING ACCURATE METRICS ON AN ONGOING BASIS WILL HELP YOUR ORGANISATION TO MEASURE THE SUCCESS OF THE STRATEGY INFORMING REGULAR REPORTS TO THE BOARD. THE DH TASK AND FINISH GROUP IS WORKING TO PRODUCE METRICS THAT WILL HELP ORGANISATIONS RATE THEIR SUCCESS IN CONTROLLING THE COSTS OF THEIR FLEXIBLE WORKFORCE.

**Actions for employers**
The current financial challenges facing the NHS present an opportunity to create a long-term strategy for temporary staffing that will deliver maximum benefit to NHS organisations irrespective of current workforce planning techniques. Taking time to review data and circumstances unique to your organisation will help you to develop a strategy that is both safe and cost effective. Figure 3 on page 10 provides a flowchart and checklist of what employers need to do.

**Change and review**
Each organisation and region will have its own particular idiosyncrasies that will impact on service needs and staffing requirements. As such, it is difficult to benchmark success across different organisations. Collecting accurate metrics on an ongoing basis will help your organisation to measure the success of the strategy, informing regular reports to the board. The DH task and finish group is working to produce metrics that will help organisations rate their success in controlling the costs of their flexible workforce.

**Benchmark and review**
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## Control costs
Procedures for temporary staffing requests should be subject to a robust authorisation and verification process. These should include sign-off procedures involving relevant senior managers, ensuring that these do not negatively impact on service needs. Financial checks should also be put in place to ensure that invoices received for flexible workforce accurately represent hours worked and rates agreed. Procurement of agencies should be centralised, rather than allowing line managers to go ‘off-framework’. For more information, see NHS Employers’ 2006 briefing *Managing the costs of temporary staffing*.

## Change cultures
Previous initiatives targeted at reducing agency spend have been successful in creating savings but rising agency costs in recent years suggest that they have tended to be short-term projects with limited long-term impact. To meet future employment needs, temporary staffing will need to be treated differently for different organisations. It should be seen in the broader context of workforce and demand planning practices. For a planned flexible workforce strategy to be a success, the principles must be embedded in the organisation through employee engagement and participation.

**Change management practices** can help with this and human resources and internal communications departments will play an important role. Managers will need support, training and advice to help them deliver the changes required and the involvement of senior leaders will be vital for reinforcing the change.

**Case study: Workforce productivity web portal**
NHS North West worked with organisations in its region to develop a web portal to support workforce productivity improvements. ‘eWIN’ allows members to benchmark themselves against similar organisations using a range of workforce metrics, including bank, agency and locum costs. The ‘savings calculator’ feature considers the potential savings available to organisations when reducing their temporary staffing spend, absence rate or changing their grade mix.
Figure 3: Flexible workforce checklist and flowchart

Stage 1: Knowing your organisation’s flexible workforce requirements

- **Understand your activity levels**
  Identify and map annual demand and activity. Identify establishment levels.
  Use the ESR reporting functionality.

- **Examine work patterns**
  Review staff work patterns and preferences.
  Examine annual leave patterns. Review contractual working hours.

- **Review recruitment reasons and processes**
  Identify reasons for temporary staffing requests.
  Review internal governance procedures for requests.

- **Analyse spending**
  Meaningfully identify and record temporary staffing spend.
  Include input from senior and local managers. Feed results into management information.

- **Use technology**
  Use technology to assist with collecting data. Implement staff bank and e-rostering solutions.

Stage 2: Strategic options for managing the temporary workforce

- **Reduce underlying reasons for temporary staff use**
  Review recruitment processes, reducing time to hire and turnover.
  Improve staff health and well-being. Link workforce planning with demand planning.

- **Maximise use of substantive staff**
  Plan for flexible use of substantive staff. Work towards developing optimal temporary staffing ratio.

- **Use bank staff/pools to manage changes in activity**
  Create a staff bank or consider using an external provider.
  Utilise newly-qualified staff without substantive positions. Consider sharing pools regionally.

- **Improve procurement**
  Implement robust approval procedures. Use framework agreements.
  Work with regional procurement hubs.

- **Control costs**
  Amend sign-off procedures to include senior managers. Centralise agency procurement.
  Improve agency invoice sign-off checks.

- **Change cultures**
  Embed principles through employee engagement and participation. Ensure training and support is offered.

Stage 3: Evaluate

- **Benchmark and review**
  Collect metrics on an ongoing basis. Inform reports to the board.
  Compare with other organisations where possible.
Further information
NHS Employers will continue to report and promote updates from the flexible workforce agenda at [www.nhsemployers.org/flexibleworkforce](http://www.nhsemployers.org/flexibleworkforce). This includes latest news, tools and resources, Agency Workers Directive, European Working Time Directive, e-rostering guidance and more. To find out more about the issues covered in this *Briefing*, promote best practice within your organisation or to get involved, email us at flexibleworkforce@nhsemployers.org

Glossary

**Agency staff** – temporary or interim staff provided through an external organisation for an agreed hourly rate, where the contract of employment lies with the providing company.

**Bank/pool staff** – staff registered to provide work on an ad hoc basis, with no obligation for regular work. Run by the organisation, a regional group or from an external provider.

**Flexible workforce** – a mixture of substantive and temporary staff employed to meet variations in demand.

**Framework** – an agreement between employing organisations and agencies to provide temporary staff at agreed rates of pay and quality standards.

**Substantive** – staff employed by an organisation on a fixed contract of employment, usually permanent.

**Temporary staff** – staff employed by an organisation outside or in addition to a fixed contract of employment for an event or period that is of limited duration.

References


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NHS Employers represents trusts in England on workforce issues and helps employers to ensure the NHS is a place where people want to work. The NHS workforce is at the heart of quality patient care and we believe that employers must drive the workforce agenda. We work with employers to reflect their views and act on their behalf in four priority areas:

• pay and negotiations
• recruitment and planning the workforce
• healthy and productive workplaces
• employment policy and practice.

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