

Summary of proposal on freezing pay increments

The NHS faces significant challenges to improve quality and meet growing patient demand within planned resources. Implementation of the QIPP programme will help meet this challenge, but will take some time to implement fully.

Trades unions have reported that security of employment through this challenging period is a key priority for NHS staff.

Following exploratory discussions with trades unions, NHS Employers have therefore made a proposal to the NHS trade unions about a National Enabling Framework which would allow managers and staff at each individual NHS organisation to agree to freeze pay increments for two years in return for commitments on avoiding compulsory redundancies. If agreed, this would support organisations in achieving required efficiencies and maximise employment security for staff.

Local action

- It is important that employers make local staff and staff representatives aware of the proposal and the local consequences if it is not agreed.
- Many employers have shared the financial challenge with staff and are encouraged to continue to “open their books” to local staff and engage with staff side representatives to explain clearly the local financial challenges and the implications for these for staff.
- Local discussions should, where appropriate, be explicit on the connections between pay levels and the financial challenge. It will be important to generate further understanding of the reality of the financial challenges. In discussions, employers, where possible, should make clear their willingness to commit to the proposed deal (subject to national discussions and further local agreement) and explain its importance in protecting staff jobs and staffing levels.
- CEOs will need their Executive teams to start communicating on their local financial narrative and to be ready for any further discussions if the NHS Staff Council sign off the proposed agreement by the end of February.

Key messages

- Employers have said they need more flexibility to address pay costs, to meet the tough financial challenges in the short term – the Enabling Framework gives trusts this flexibility to deliver this locally.
- The Operating Framework confirms that individual organisations will retain any savings from increment freezes, to enable them to protect staff from otherwise unavoidable compulsory redundancies.
- Employers need to engage their trade unions and staff in discussions about meeting the current financial challenges and the Enabling Framework, whilst the unions are considering the proposals nationally.
- It will be for individual employers to decide, with their local staff sides, whether to agree to implement the Enabling Framework.

Key points about the proposed National Enabling Framework on pay

The proposed Enabling Framework, if agreed, will form part of the national agreement. It will be for employers to agree with their local staff side whether to use the following flexibilities:

In return for agreeing a local freeze for all staff groups (including medical and dental staff) on all incremental progression for 2011/12 and 2012/13 individual employers would be required to:

- Provide a guarantee of ***no compulsory redundancies*** for all staff that are in Agenda for Change Bands 1 to 6 for the period of the suspension of incremental pay progression.
- Seek to avoid any compulsory redundancies for all other staff through agreed measures across trusts, health economies and HR frameworks. Where local circumstances allow, employers are encouraged to consider extending the guarantee of no compulsory redundancy and/or employment security agreements to other staff.
- Guarantee to maintain training opportunities for junior doctors and dentists for the next 2 years.
- Guarantee no reduction in the current level of investment in clinical excellence awards locally and (subject to the agreement of the Secretary of State) nationally during the period of the pay freeze.
- Apply an equivalent freeze on pay for senior managers covered by local remuneration committees, during the period of the incremental pay freeze.

- In addition, the DH will explore with HM Treasury the *possibility* of deferring the increase in employees' contributions to the NHS Pensions Scheme until the end of the pay freeze.

Additional information

- Staff on a pay scale point lower than £21,000 would still receive an uplift of a minimum of £250 per annum as set out in the commitment for the lower paid by the Secretary of State.
- This National Enabling Framework does not propose any other amendments to the NHS Terms and Conditions of Service Handbook. The intention is to protect the integrity of existing national collective agreements for the duration of the pay freeze.
- This proposal does not prevent employers from offering staff voluntary redundancy, mutually agreed resignation or suitable alternative employment, re-training or re-deployment in accordance with existing terms and conditions or local pay flexibilities where these exist.
- A 2-year incremental freeze would generate savings of £1.9bn. This represents 2.1% of the HCHS paybill for each year of the freeze. These savings will be felt over three years due to the timing of incremental payments.
- Around 70% of AfC staff would be affected who are not currently at the top of the scale. Around 85% of consultant medical staff would be affected.
- Around 82% of AfC staff are in pay bands 1-6 and would benefit from the guarantee of no compulsory redundancy.

Q&A – background briefing for reactive handling

1. What are the next steps?

- Currently the Trade Unions (TUs) are reviewing the proposal and have sought further clarification on the national financial position and other issues by early January.
- Once these points have been clarified the TUs will consult with their members through their normal individual union processes to decide whether to accept, reject or continue to discuss the proposal. The unions will then form a collective view, probably on or about 20 January 2011.
- At the same time as the TUs consult with their members, NHS Employers will consult with NHS organisations for their initial responses, also by around 20 January 2011.
- If the proposal progresses, the TUs would then need to consult their members on the final content of any deal – including any national ballots - by mid to end of February. If there is a successful outcome then the NHS Staff Council would propose to formally agree the enabling provision as a temporary annex to the NHS Terms and Conditions of Service Handbook.
- NHS Trusts will have until the end of March in which to conclude local agreements to opt into the national enabling framework which would come into force from 1 April 2011.

2. What do we want CEOs and HRDs to do to support the deal?

- A survey of NHS staff conducted by Incomes Data Services for NHS Trades Unions in September 2010 found that 70% of respondents regarded job security as the top priority in 2011 and beyond.
- Trusts are encouraged to “open their books” to local staff and staff side representatives to explain clearly the local financial challenges and the implications of these for staff. Local discussions should, where appropriate, be explicit on the connections between pay levels and the financial challenge. It will be important to generate further understanding of the reality of the financial challenges.
- CEOs will need their Executive teams to start communicating on their local financial narrative (if they are intending to opt into the national enabling agreement) and to be ready for any further discussions in the event that Staff Council sign off the agreement.

3. What if employers are thinking of doing something different locally?

- This is an option for trusts, however, there are risks associated with this approach. Using the proposed national enabling agreement will potentially deliver the greatest savings to trusts in the shortest period of time and in partnership with staff.
- Other options locally – such as unilateral contractual changes through giving notice and re-employing staff – may be possible but will require an assessment of the legal risks and will attract strong TU opposition and possible industrial action. As a result they may not achieve the same level of savings that a national enabling agreement is likely to achieve.

4. What about pensions?

- The TUs have asked the Government to consider deferring the impact of the increase in employee contributions which is due to take effect from 1 April 2012. NHS Employers cannot and has not made any commitment to defer the increase as it is outside of their control. NHS Employers has, however, agreed that the trade unions views should be presented to the Government (without prejudice) for their consideration.

What about CEAs?

- The offer, subject to Secretary of State sign off, is to guarantee the current level of investment in CEAs during the pay freeze, which for local awards is currently 0.2 per eligible consultant. It would also allow time for careful consideration with the BMA of the outcome of the DDRB review of CEAs which is due to report in summer 2011.

5. What about changes to other terms and conditions?

- The proposed framework will only provide the flexibility to freeze incremental pay progression. It does not alter any other terms and conditions.
- Employers have told us that their priority is to achieve immediate savings to the pay bill to help reduce the need for redundancies and protect services. Freezing increments for 2 years is the most effective way of achieving this. Other changes to various terms and conditions would not have made the savings required and would have been resisted by unions at a national level.
- Employer representatives on the NHS Staff Council will still be able to consider other changes through normal processes.

6. What if trades unions say no to the national consultation?

- If the national TU consultation does not support the proposal there will be no national agreement. Trusts will then have to consider how to address their financial challenges according to their local circumstances – trusts have told us that this would probably involve compulsory redundancies.
- Tackling the financial challenges locally could also potentially put at risk the national contractual arrangements as employers would need to make changes to terms and conditions locally in attempt to save jobs and patient services.

7. What if staff say no to locally opting into the enabling agreement?

- Trusts will then have the normal freedoms to come up with their own solutions to their financial challenges. Trusts have told us that this will probably involve compulsory redundancies.

8. Where can we find out more?

- NHS Employers will update their website over the coming weeks with additional information.
<http://www.nhsemployers.org/PayAndContracts/Pages/Nationalenablingagreementonpay.aspx>
- NHS Employers will communicate further developments via the NHS Confederation's Interchange Alert and NHS Employers Workforce Bulletin.

NHS Employers
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