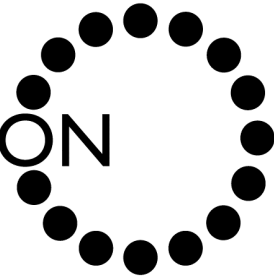


THE NHS CONFEDERATION



London Weighting Allowances – Assembly Scrutiny

Introduction

The NHS Confederation in London represents 95% of NHS Trusts and Health Authorities in the capital. This response is written in consultation with them, and their comments and suggestions are incorporated into the final submission.

The London Advisory Committee (LAC) is a sub-group of the NHS Confederation, which was convened in 2000 to examine London-specific health issues and policies, and also to respond to London's new governance in the form of the Mayor and the Greater London Assembly.

The NHS Confederation is committed to good employment practices and to improving the working life of all staff in the NHS. This of course must be balanced with the duty of the NHS to provide the best possible service to patients and also their statutory obligation to balance income and expenditure.

The NHS Confederation welcomes the opportunity to take part in a discussion about London Weighting Allowances.

Background

The NHS is one of the capital's largest employers. Some 140,000 people work for the NHS in London.

The high cost of living in the capital clearly has a direct impact on the ability of employers to both obtain and retain staff. This is particularly the case in London's public services – all of which share high vacancy rates and find it hard to hold on to staff in the long term. Although the following problems are shared by many regions of the UK, they are undoubtedly magnified in the capital:

- One in three of the 15,000 vacancies throughout England are in London (Hansard June 14 Col 241)

- The three month vacancy figures in 2000 for nurses and midwives were 2.6 per cent in England and 5.1 per cent in London (Hansard June 14 Col 241)
- There are 20 per cent vacancies in intensive care units in London (Hansard June 14 Col 241)
- Some London Trusts are 30 per cent under establishment in nurses and are surviving using agency staff (Hansard June 14 Col 244)

Current Position

The position on London Weighting for NHS staff is confused with different rates being paid to different staff groups and indeed different geographical definitions being used to define London Weighting zones. This is clearly an issue for the NHS organisations.

Nursing and Allied Health Professionals

The Nurses and AHP Pay Review Bodies have recently altered London Weighting for their remit groups by agreeing to equalise London Weighting payments for registered and non-registered staff. The NHS Confederation welcomed this move because the differential payment had long been a source of division between staff and, frankly, was difficult to justify if London Weighting is truly meant to be seen as compensation for additional costs.

Rates from April 2002 will be

Inner London	£3228
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Outer London	£2522
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Fringe	£706
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Administrative and Clerical Staff (rates as at April 2001)

Innner London	£2502
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Outer London	£1488
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Fringe	£235
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Ancillary Staff (rates as at April 2001)

London	£1878
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Hospital doctors (rates as at April 2001)

London	£1914
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It is clear to see that London Weighting is actually being used in part as a recruitment and retention payment for nursing and AHP staff in the capital.

Cost of Living Supplements

In November 2000 the Prime Minister announced extra pay supplements for nurses and key NHS staff in areas of full or near-full employment. This was later confirmed by the Secretary of state for Health, Alan Milburn's commitment to give an estimated 100,000 nurses and other professions extra payments from April of last year. They were worth a minimum of £600 and maximum of £1000 above London Weighting.

Frankly there has been some confusion over these supplements with them being called a "cost of living supplement" whilst being based on market forces factors. They have certainly operated as a market force recruitment and retention allowance rather than a cost compensation allowance.

The Confederation welcomed any moves to assist recruitment and retention and specifically welcomed the additional (£64m) funding to meet the payments. However there is no doubt that the payment of the supplement to qualified staff only was regarded by staff as divisive. It was felt that the high cost of living in London and the South East affected unqualified staff, and indeed non-review body staff, as much as qualified staff.

Equally whilst the Confederation recognises that payment of the allowances was based on a objective criteria, the inclusion of some but not other areas in the South East caused problems.

The precise effect of the supplements has been hard to judge. Anecdotal evidence from London trusts suggests that the allowance may have some beneficial effect on retention. The position outside London, where the sums were smaller is less clear.

If the supplement is to be retained as a cost of living allowance it should logically be payable to all staff in the designated high cost area. Alternatively it could actually be turned into a recruitment or retention payment that trusts could use in a targeted way for particular staff groups. It would, however, be most appropriate for this to be considered within the 'Agenda for Change' negotiations on a new pay system for NHS staff.

NHS Confederation Views

The NHS Confederation welcomes the decision of the GLA to review, from first principles, the London Weighting Allowance. Problems with the recruitment and retention of staff have been identified by Confederation London Committee members as one of the key issues for further study and work. Whilst some of this is undoubtedly due to other factors – job satisfaction, workload, flexibility etc. - it is clear that

financial issues play a big role in the difficulties that London health organisations have in recruitment and retention.

It is acknowledged that key public sector workers in London and the South East will need higher overall levels of remuneration to address the greater costs of London living than colleagues in any other part of the UK. It is also recognised that the situation has worsened for public sector workers in the capital over the last decade. Public sector pay has grown but not in line with the rest of the economy in London.

Two of the main issues for key workers in London is the cost of accommodation and travel. London Weighting Allowance is seen as an additional supplement offered to staff to try and tackle the disparity between London wages and the cost of living in the city. However, a review of London Weighting Allowances may also like to examine the issue of whether London Weighting is purely aimed at addressing the additional cost of living in London, or whether the tight labour market (particularly in the public sector) demands a market factors payment.

More analysis also needs to be done about the impact of the London Weighting Allowance on factors such as house prices. Do the higher salary levels in the capital push up prices and the cost of living? An examination of the wider impact of London Weighting on the surrounding South East of England would also be timely in this context.

Taking an 'average' approach, at least with regard to the public sector, will probably be most effective. Other schemes being looked at by NHS Executive London Office have included, for example, subsidised housing or transport costs. A comparison between the public and private sectors will always have to be mediated by the fact that many private sector employers can offer inducements such as subsidised mortgages, free gym membership, company cars and so forth, as additional inducement to their employees; a level of flexibility and resources not found in the public sector.

Ideally we do not believe that there should be differentials according to pay level and staff group within the NHS as the additional costs of living in London and the South East exist regardless of position. Obviously this argument could be extended to all employees across the capital but a single agreed London Weighting across all employers does not seem feasible or likely. Greater consistency across the public sector would be positive move subject to the comments below on affordability and funding.

An absolutely central point for NHS employers is that London Weighting awards must be affordable within current resources, or there may be

other adverse effects on health services. London Weighting for NHS staff is agreed through the NHS pay determination machinery (either the pay review bodies or the Whitley Councils) and funded through NHS allocations. From the point of view of NHS organisations allocations and awards must align. We do therefore have real concerns if a “definitive” figure for London weighting were to be set outside the NHS machinery that would or could not then be met in funding allocations to NHS organisations.
