

from pay squeeze
to a staffing crisis
a study of recruitment
and retention in
the NHS and local
government

A Smith Institute research report





The Smith Institute

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Foreword

This study and survey was commissioned by Unison in the spring of 2015. It is intended to inform the on-going debate about the impact of the pay squeeze on the recruitment and retention of staff in the NHS and local government.

We make no claim that the information we have gathered from the survey and interviews is comprehensive or definitive. What it offers is a review and commentary on what is happening, based around the views and opinions of HR professionals. It is of course a snapshot in time, although many of the concerns mentioned, such as skill shortages in healthcare, have been known for some time.

Employment practices and HR management in the NHS and local government varies, and is shaped by a range of factors – including the type of public service and location. Furthermore, pay rates and recruitment and retention issues are different for different grades and different functions. However, both NHS and local government staff have been affected by the pay squeeze, which has seen wages in the public sector fall relative to those in the private sector.

Up-to-date information and data on recruitment and retention in the public services are not always readily available. It is particularly difficult, for example, to access information on how organisations, like NHS Trusts, view the impact of fiscal austerity and the pay squeeze on recruitment and retention. Much of the hard data is historical and often fails to capture the full labour

market and organisational impacts, for instance on workloads and morale. Issues such as confidentiality, financial pressures, competition for certain staff and local factors also make it difficult to identify sector-wide (and cross-sector) trends. We therefore hope that the report at least adds to the evidence and gives some useful insights into the challenges facing all those involved with recruitment and retention in the NHS and local government.

The on-line survey of 43 HR directors and managers from NHS Trusts and local authorities was carried out between April and June 2015, and the results are shown in full in the following chapters. The survey was UK-wide, although the majority of responses were from England. The survey was followed up by several semi-structured interviews with HR directors and recruitment managers in June. Both the survey and interviews were conducted on a non-attributable basis to encourage a full and frank response.

The Smith Institute would like to thank all those who gave their time to complete the survey and be interviewed. We also offer a special thanks to Sarah Welfare, who conducted the interviews and provided much of the desk research. Finally, the Institute gratefully acknowledges the support of Unison towards this publication.

*Paul Hackett
Director, the Smith Institute*

Executive summary

Our survey results show that both healthcare and local government are struggling to recruit and retain the staff they need. The lack of skilled, specialist and experienced healthcare staff is a particularly serious concern, with NHS Trusts relying more and more on temporary/agency workers and international recruitment.

HR managers in local government and NHS Trusts are having to recruit people with less skills and experience.

The pay squeeze has had a negative impact on recruitment and retention in both healthcare and local government. Pay restraint has also damaged morale.

The key findings from our survey of 43 HR directors and managers in local government and NHS Trusts are:

NHS Trusts recruitment and retention

- 70% of NHS Trusts surveyed expect to recruit more staff this year than the previous year, while 30% expect to recruit the same number.
- 63% say they are "unsure" they have enough staff to meet demand. A further 30% are "fairly sure" and only 7% were "very sure".
- 85% are finding recruitment either "very or fairly difficult", while 11% are finding it "neither difficult nor easy".

Local government recruitment and retention

- 56% of councils surveyed anticipate keeping staffing levels the same over the coming year, while 25% said less than the previous year.
- 31% were unsure that they had enough staff and 69% were "fairly sure" that they had sufficient staffing levels. 44% reported finding recruitment "difficult". None of the respondents said they were finding recruitment "easy".
- All councils surveyed report difficulties in finding skilled/specialist/experienced staff and 69% say they "sometimes" have to recruit people with less skills and experience.

International recruitment: NHS Trusts

- The majority of Trusts surveyed (56%) said they are planning to recruit staff from overseas.
- 41% said they were planning to recruit "more than previous years".

Agency and temporary staff

- 89% of NHS Trusts said they are using agency/temporary staff to meet staff shortages; 63% said "a lot".
- 63% of councils surveyed said they were using agency/temporary staff "a lot or a little".
- Looking ahead, 25% of the councils surveyed said they would be "much more or more" reliant on agency/temporary staff, compared with 19% who said "less or much less reliant".

Pay squeeze and NHS Trusts

- 67% of respondents think the NHS pay squeeze has had "some impact" or a "significant impact" on recruitment and retention.
- 78% think the continuation of the pay squeeze will impact "a little" or "a lot" on their ability to recruit/retain staff.
- No one believes that the pay squeeze is good for morale. 59% said it was "bad for morale" and 22% said it was "very bad for morale".

Pay squeeze and local government

- 88% of respondents said that the pay squeeze had an impact (of which 19% said "significant impact") on the recruitment and retention of staff. Only 13% said it had "no impact".
- 88% said the continuation of the pay squeeze will impact on recruitment and retention, of which 38% said it would impact "a lot".
- 25% of respondents said the pay squeeze was "very bad for morale" and 44% said it was "bad for morale". No respondents thought the pay squeeze was good for morale.

Introduction

Successive years of a pay squeeze in healthcare and local government have predictably had a negative impact on recruitment and retention. More and more skill shortages are being reported, with particular problems in high-demand areas like London and the South East. The situation has been made worse by relentless cost cutting, reorganisations, outsourcing and an anti-public service sentiment.

In healthcare, the worsening shortage of nurses and paramedics and other key NHS staff recently reported in the media has now become a key political issue. Ministers have been embarrassed to admit that the lack of investment in training and poor workforce planning has led to a dramatic rise in the cost of temporary staff.¹ NHS Trusts are having to pay more for agency staff and recruit nurses from abroad. According to the King's Fund an ever increasing reliance on agency nurses risks harming patient care.² Healthcare professionals are also warning that the combination of pay restraint and staff shortages will undermine the NHS' *Five Year Forward View*, especially efforts to improve productivity and shift patient care from acute hospitals into the community.

Although HR directors and managers in local government do not quite face the same degree of staff shortages as some NHS Trusts, many are struggling to recruit enough skilled and experienced staff. Councils face particular problems recruiting skilled and experienced staff, as well as for social care where there are high very rates of staff turnover.

The government's pledge to restrain public sector pay increases to 1% until 2020 (effectively a real terms cut) will exacerbate these problems. As the Nuffield Trust have commented: "holding down pay indefinitely is likely to be a false economy, especially as private sector wage growth picks up."³ It will also make it harder for the NHS and local government to reduce their reliance on temporary workers.

Continued fiscal austerity, years of pay restraint and redundancies has affected staff morale and retention rates in both the health service and local government. Indeed, job satisfaction and trust and confidence in senior management in local government (and other public services) is now well below that of the voluntary and private sectors.⁴

The recent upturn in the private sector job market also threatens to lead to a leakage of talent from local government and the NHS. In some areas, NHS Trusts have to compete against local care homes for qualified nursing staff. Staff surveys continue to show that more staff are actively looking for work in the private sector. Meanwhile, there is mounting evidence to show that the negative perceptions of some public services is becoming a barrier to attracting new recruits.⁵

The pay squeeze may not always be the main reason why people leave public sector employment, but it is clearly an important factor – alongside career development, job security and issues such as workloads, stress and being valued. However, the extent to which recruitment and retention issues are affected by the pay squeeze will of course depend on the overall employment package, as well as the market power of employees and trade unions and the financial position and reputation of the particular employer. A qualified nurse, for example, will have a lot more clout in the labour market than a cleaner on a temporary contract working for a cash-strapped local authority.

On current trends pay will continue to grow much faster in the private sector than in health or local government. According to the IFS, this implies that the gap between public and private sector pay levels will widen to what it was back in the early 2000s, when there were severe recruitment and retention problems in parts of the public sector.⁶

Further job cuts and increased workloads will exacerbate the problem, especially for skilled and experienced staff. Greater regional variations in recruitment and retention are also expected, with the likelihood of worsening staff shortages in areas where there are already recruitment problems.

As staff and HR managers in local government and healthcare prepare for another five years of austerity and pay restraint it is important to have as much understanding of what is happening on the ground as possible. By listening to the opinions of HR professionals and learning the lessons from the past, we can hopefully avoid the current pay squeeze leading to a seriously damaging staffing crisis.

1 According to the Nuffield Trust, the NHS spent £3.35 billion on agency staff in 2014/15 – almost a third (31%) more than the previous financial year

2 King's Fund Workforce planning in the NHS, 2015

3 Nuffield Trust response to the 2015 summer budget

4 See CIPD's Employment Outlooks and the Workplace Employment Relations Study

5 See 'Bridging the gap: Developing a framework to attract new talent into the public sector', 2012

6 IFS 'Public sector pay in the UK', 2014

NHS: Recruitment and retention

Key survey findings

- Over two-thirds (70%) of NHS Trusts surveyed expect to recruit more staff this year than the previous year, while 30% expect to recruit the same number.
- A majority of those surveyed (63%) say they are "unsure" they have enough staff to meet demand. A further 30% are "fairly sure" and only 7% were "very sure".
- The vast majority (85%) are finding recruitment either "very or fairly difficult", while 11% are finding it "neither difficult nor easy".

As a highly complex and unique labour market, the NHS has always faced difficulties in finding and keeping the right people in the

right roles at the right time. However, funding pressures, continuous regulatory and structural change, and rising demand for both general and specialist services make workforce planning for the foreseeable future extremely challenging.

Our survey results suggest that NHS Trusts could be on the brink of a serious HR crisis. While all respondents said they would be recruiting the same or more staff this year, nearly two thirds said they were unsure that their Trust would have enough staff to meet demand. This low level of confidence among HR professionals is further evidenced by the survey showing that the vast majority thought it would be difficult to fill vacancies. Only 4% of respondents said they expected recruitment to be "very easy".

Figure 1: Do you expect to be recruiting more or less staff this year?

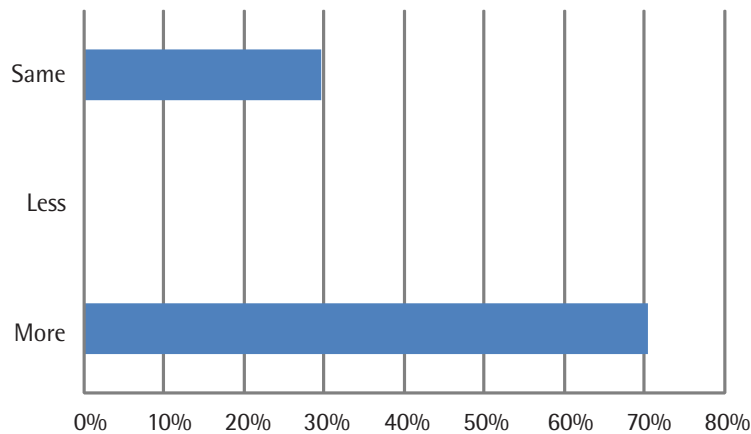


Figure 2: How sure are you that that your organisation has enough staff to meet demand?

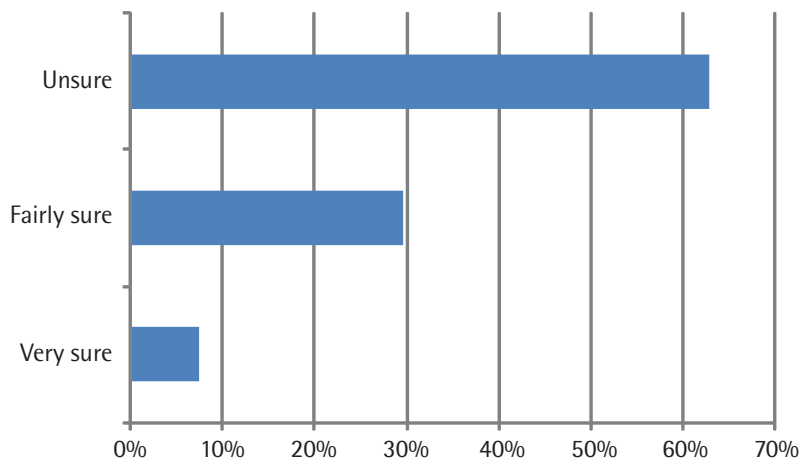
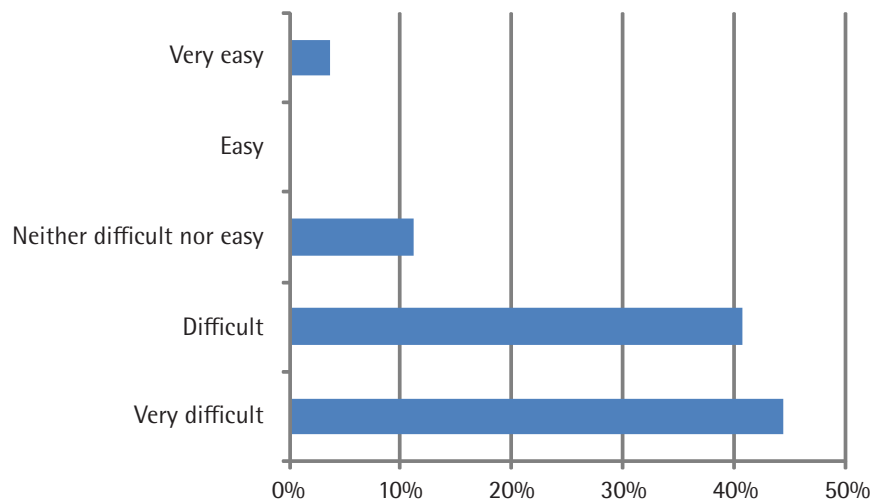


Figure 3: Are you experiencing any difficulties in filling vacancies?



Our interviews with HR practitioners suggest that the majority of NHS Trusts face some sort of staffing shortage.⁷ The principal reasons for this include increased demand and new safe staffing guidelines that were introduced following the 2013 Francis Report.⁸ These two factors have impacted most severely on the financial position and staffing for acute NHS Trusts, with rising, unplanned demand for care in a hospital setting particularly impacting accident and emergency services. As one interviewee commented: "How can we meet new safety and staffing standards when there is no money?"

In addition, from April 2014, all hospitals were required to provide details of staffing levels on wards each month, as well as the percentage of shifts meeting staffing guidelines. This puts recruitment and retention at the heart of NHS Trusts' analysis of their organisational risks.⁹ It is now commonplace, for example, for NHS Trust boards to have recruitment or workforce reports and strategies on the agenda at every board meeting, as well as the required qualitative reporting.

Some NHS Trusts reported that they were making improvements to recruitment processes in order to speed permanent recruitment

when vacancies occur. While this was not highlighted as a major issue amongst those HR professionals who were interviewed, board papers suggest that many Trusts are focusing on issues such as reducing "time to hire" and speeding up international recruitment.

The interviews suggested that the sheer number and combination of challenges (not least the impact of safe staffing requirements and seven-day NHS services) will make it harder for Trusts to recruit in the future.¹⁰ Many HR professionals think the situation will worsen, with deteriorating finances making workforce planning all the harder.

However, some Trusts are more optimistic. One HR practitioner said that staffing problems would fade over the longer term once increases in training places fed through. A lot depends though on the type of Trust. As one interviewee explained, smaller Trusts outside major urban areas can experience particular difficulties in recruiting and retaining the right staff. Another respondent (from a mental health Trust near to a major urban area) identified a plentiful local labour supply as one reason for the lack of recruitment and retention problems.

7 According to the Nuffield Trust, "Many NHS organisations are struggling to recruit and retain staff...and one in ten training places in general practice is unfilled" – see "Health and social care priorities for the government 2015–20. 2015

8 See NHS England, How to ensure the right people, with the right skills, are in the right place at the right time A guide to nursing, midwifery and care staffing capacity and capability, 2013

9 For example, recent board meeting minutes at University Hospitals of Morcambe Bay, where recruitment of medical and nursing staff was one of the reasons behind the Trust being placed in special measures in 2014, note that: "Recruitment to front line clinical staff [posts] continues to be a high risk for the Trust"

10 The NHS Pay Review Body stated that "Given the number of years it takes to train suitably skilled and qualified staff we believe a substantial barrier to the expansion of seven-day services could be insufficient numbers of appropriately trained staff" (Guardian 12 July 2015).

Local government recruitment and retention

Key survey findings

- More than half (56%) the councils surveyed anticipate keeping staffing levels the same over the coming year, while 25% said less than the previous year.
- While over two-thirds (69%) were “fairly sure” that they had sufficient staffing levels, one in three (31%) were unsure that they had enough staff.
- Four in ten councils (44%) reported finding recruitment “difficult”. None of the respondents said they were finding recruitment “easy”.

In view of the steep and continuing cuts in local government funding it is unsurprising that councils are not witnessing recruitment increase in the same way as the NHS. Cuts in some services obviously imply fewer staff. However, 19% of councils surveyed plan to recruit more staff this year, and over half plan to keep their staffing levels the same. A quarter said they would be recruiting fewer staff this year.

Although two thirds of councils surveyed said they were confident they had enough staff to meet demand, a third were unsure. This sentiment was reflected in our interviews, which showed that councils are uncertain about how their future funding situation will play out and what the impact of further cuts would be on staffing levels.

Figure 4: Do you expect to be recruiting more or less staff this year?

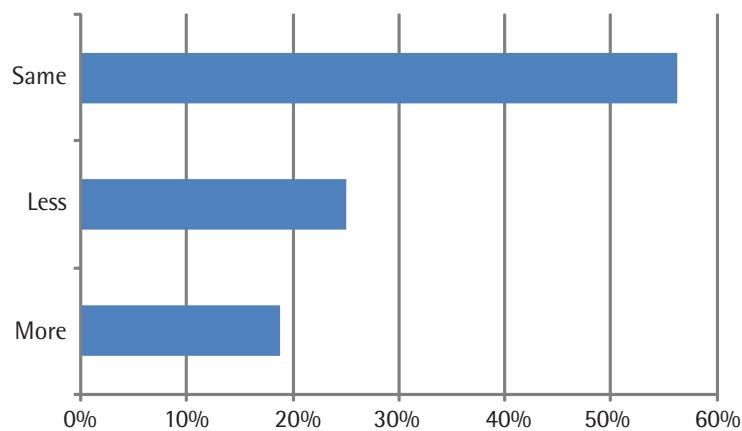
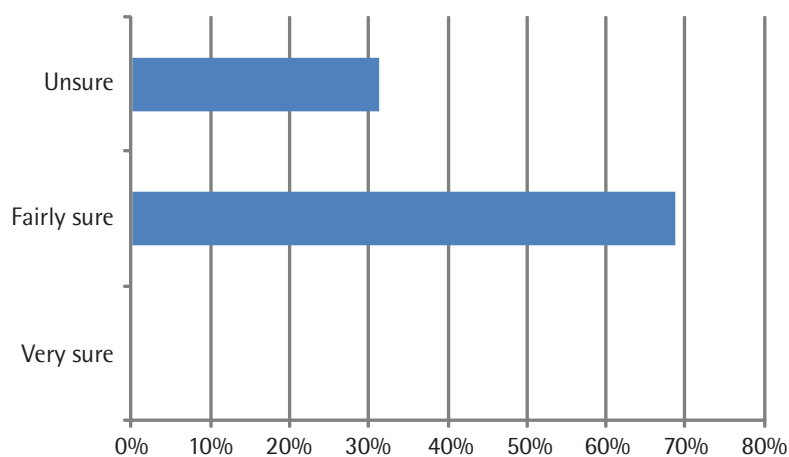


Figure 5: How sure are you that your organisation has enough staff to meet demand?

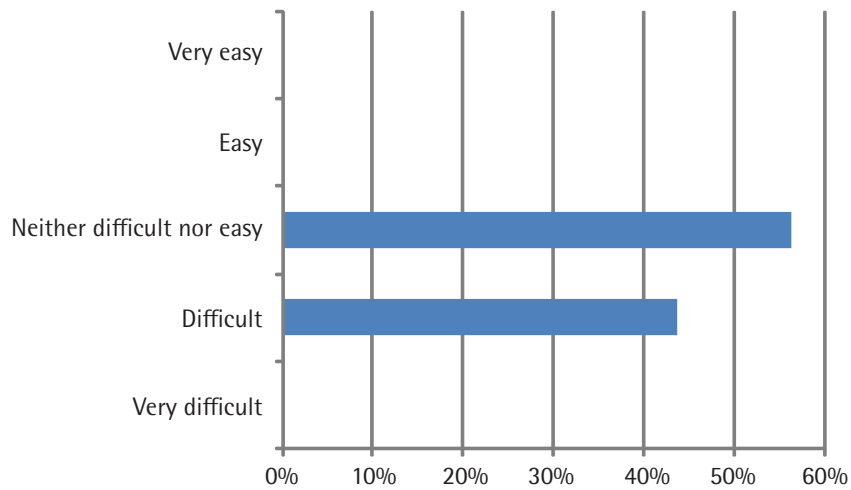


Our interviews with HR professionals showed that many councils continue to run redundancy programmes alongside recruitment schemes for social workers and other staff.

The interviews also touched on regional variations in recruitment

and retention, which have been picked up on by the Local Government Association (LGA).¹¹ Small district councils, for example, are both less likely to suffer recruitment problems (unless in particularly remote areas) and more likely to see their staff stay with them.

Figure 6: Are you experiencing any difficulties in filling vacancies?



¹¹ For example, the LGA workforce survey 2012/13 shows shire district councils to have significantly lower vacancy and turnover rates than single or upper tier local authorities.

Recruiting skilled staff: NHS Trusts

Key survey findings

- The biggest problems are recruiting skilled, specialist and experienced staff on higher pay grades (78%) and intermediate roles (59%).
- 11% report difficulties recruiting staff for lower pay grades.
- 19% say they recruit people with less skills and experience and 37% say they have to "sometimes".

The type of staff shortages varies from Trust to Trust, however the survey suggests that the majority of Trusts are experiencing shortages among skilled/specialist and experienced staff (higher pay grade and intermediate roles).

In our follow-up interviews, it seems the main areas of concern are nursing, paramedics and radiology. HR professionals

interviewed also mentioned consultant posts, mid-grade doctors and clinical physiologists. One NHS body which monitors recruitment and retention across NHS Trusts reported that, in addition to nursing, many Trusts were experiencing difficulty in recruiting the right people for HR, finance and management roles.

Although few Trusts report staffing problems for lower-paid posts, it was pointed out in our interviews that staff shortages among clinical or senior staff quickly have an impact on support staff, not least in the form of increased workloads and damage to morale.

With rising demand and new staffing regulations Trusts are under severe pressure to avoid staff vacancies. As our survey shows, many Trusts (nearly half from our survey) are having to recruit people with less skills and experience.

Figure 7: Which (if any) type of staff vacancies are you experiencing difficulty filling?

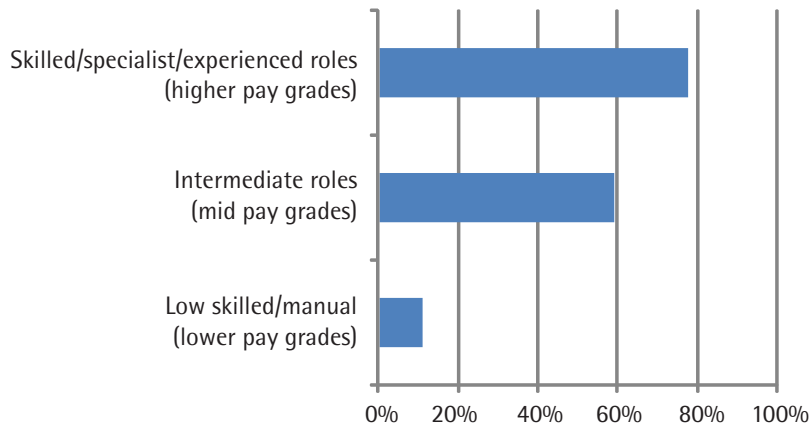
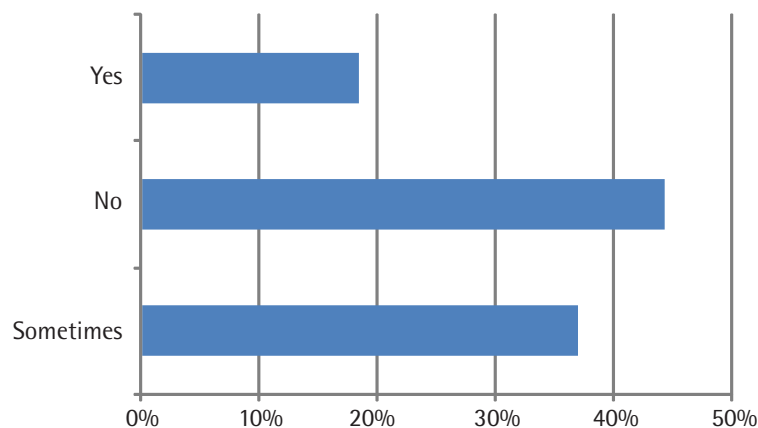


Figure 8: Are you having to recruit people with less skills and experience?



The HR management response to staff problems of course varies and is shaped by local labour market conditions. One HR practitioner described how her team was looking at the skills and grading mixture of teams in order to take a more integrated approach to workforce development in response to the new models of care programme.

The healthcare unions have suggested that some Trusts are responding to staff shortages by "downbanding" – essentially getting staff to play the same role for less pay. According to Unison many employers have responded to shrinking budgets by moving staff to lower pay bands but without changing the content of the job: "If employers do this without following proper processes it can recreate the unequal pay that led to the need to introduce Agenda for Change in the first place as well as leading to serious misapplication of skills in vital areas of the NHS".¹² For example, an HR professional quoted in a recent report published by the Kings Fund explained: "In the pathology department they have band 5 staff doing what band 6 staff used to do; [and have] changed on-call arrangements to pay people less."

The interviews with HR professionals confirmed evidence from the NHS Employers survey that Trusts are competing in a shrinking labour pool of nurses.¹³ It was often reported that not enough nurses are coming through from training places. As one

HR manager put it: "The 300 people training to be nurses at nearby universities won't be anywhere near sufficient to fill all the vacancies that exist within local health providers." While NHS Trust board papers across the country illustrate the steps being taken to try and increase workforce supply in key roles, it is generally agreed that it will be a few years before these training places materialise into staff who can be recruited.

For staff in more senior, skilled and specialist roles, our interviews with HR professionals suggests that some may find higher-paid opportunities in other sectors for a similar role (such as managers), while many others have no direct comparison in the private sector. They are much more likely to leave in order to join another Trust, where working conditions and/or pay are better or perceived to be better. A study carried out by one NHS Trust found that the vast majority of leavers left to join another NHS Trust, with the second-highest group leaving work (including retirement) with a negligible number joining other private or public sector employers.¹⁴

It was also noted in our interviews that in contrast to the situation in social care, none of the Trusts we spoke to reported shortages amongst the healthcare support workforce. Our desk review review of Trust board papers also shows that, in general, Trusts are not experiencing shortages in care support roles.

¹² For example, 63% of Unison lay reps surveyed during the negotiations on the 2013 changes to 'Agenda for Change' reported incidences of, or proposals for, 'downbanding'

¹³ NHS employers survey for HEE,

¹⁴ West Hertfordshire Hospitals NHS Trust, Staff Turnover Report, Trust Board meeting, 12 February 2005

Recruiting skilled staff: Local government

Key survey findings

- All councils surveyed report difficulties in finding skilled/specialist/experienced staff, while a smaller proportion reported difficulties in filling intermediate (21%) and lower-skilled (21%) roles.
- Two-thirds (69%) of respondents say they "sometimes" have to recruit people with less skills and experience.

In local government, staff shortages are not so high profile, but are increasingly problematic in specific, skilled professional roles

– particularly for those employees who have experience. As our survey showed, all councils are experiencing difficulties in filling vacancies, especially for skilled staff (100%).

The interviews echo the survey findings. It was said, for example, that in areas where the labour market is tighter, such as London, and where skills and competencies are highly transferable to other sectors, there are serious problems finding "the right staff". One interviewee reported that their main challenge was still the same - recruiting and retaining people with a high level of skills and experience in specific professional or managerial jobs.

Figure 9: Which (if any) type of staff vacancies are you experiencing difficulty filling?

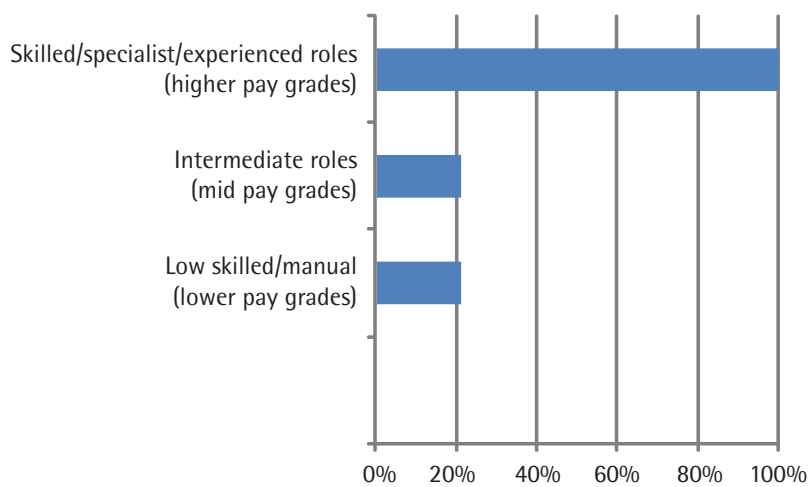
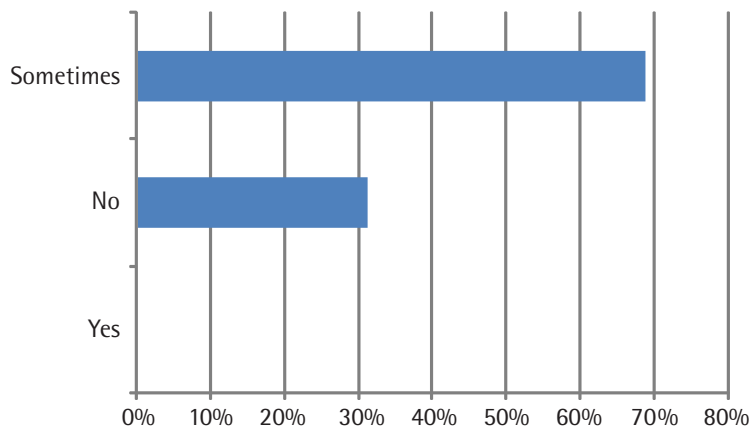


Figure 10: Are you having to recruit people with less skills and experience?



One area raised by HR professionals in the interviews was social work. Recruiting and retaining qualified social workers has been a consistent challenge for councils over recent years, with rising numbers of staff leaving the profession.¹⁵ It was said though that some councils are meeting the retention challenge by taking steps to tackle workload and team management issues. One London borough spoken to, for instance, which has historically had very high levels of hard-to-fill vacancies in adult social

work, reported that they now have a full complement of staff due to tackling workload problems.

Councils have long reported difficulties in filling vacancies in professional and managerial roles. The survey and interviews suggest little has changed and that for some departments (such as planning and building control) the situation is becoming very serious.

¹⁵ See LGA and PPMA, Recruiting and retaining qualified social workers, 2015

International recruitment: NHS Trusts

Key survey findings

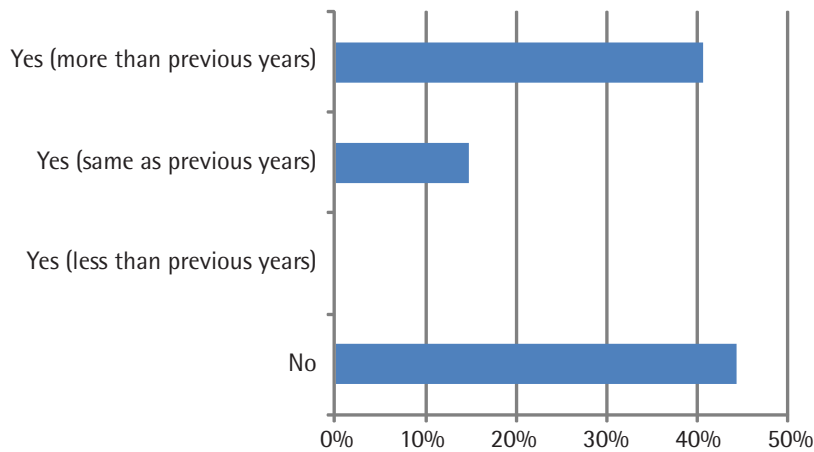
- The majority of Trusts surveyed (56%) said they are planning to recruit staff from overseas.
- 41% said they were planning to recruit "more than previous years".

The majority of survey respondents said they are planning on international recruitment or would continue to do so. Four out of ten

Trusts said they would be recruiting more staff this year from abroad.

According to the Royal College of Nurses (RCN), overseas recruitment of nurses was likely to continue to rise even though the introduction of new rules on agency staff (e.g. maximum hourly rate and an approved agency list) will make it more difficult. The RCN also notes that the recent changes to the immigration rules "will have a disproportionate impact on the retention and recruitment of nurses from outside Europe."¹⁶

Figure 11: Are you planning on international recruitment in 2015?



Agency and temporary staff

Key survey findings

- 89% of NHS Trusts surveyed said they are using agency/temporary staff to meet staff shortages; 63% said "a lot".
- 63% of councils surveyed said they were using agency/temporary staff "a lot or a little".
- Looking ahead, 25% of the councils surveyed said they would be "much more or more" reliant on agency/temporary staff, compared with 19% who said "less or much less reliant".

The growing reliance by both healthcare and local government on agency and temporary staff is well documented, with several recent studies highlighting the problem.¹⁷ Our survey bears out these studies. It shows that NHS Trusts are very heavily reliant on agency/temporary staff, with only 11% of respondents stating that they rarely used agency/temporary staff. The levels of dependency are not so high in local government, although over half of the respondents said they are using agency/temporary staff (and 38% said rarely).

Given the high levels of dependence on agency/temporary staff in the NHS, unsurprisingly only 19% of Trusts surveyed said they expected to be "much more or more reliant" on agency/temporary staff. However, the response from local government was that

HR professionals would be more reliant in the future on agency/temporary staff.

In our interviews, there was some anxiety about the government's proposals designed to "crack down" on NHS agency work. It was said that this could create problems as Trusts seek to adhere to the regulatory changes over safe staffing ratios.

The interviews did suggest that pay is a clear factor in driving nursing staff to agency work. As one HR practitioner stated: "With flat pay the temptation to get a substantive post is less attractive". One Trust interviewed had no recruitment and retention difficulties, but said: "there is always the problem of losing staff to agencies because they can get higher rates." The pay squeeze has made it more attractive to take this step, especially for those employees with significant experience who are at the top of their pay grade (as is the case with 50% of the nursing workforce, for example).

In social work, it has been reported that agencies are now reporting difficulties in recruiting experienced social workers, particularly managers, senior practitioners and those with more than four years' experience. This is driving up agency pay rates for experienced social workers, in comparison to those on council pay scales whose pay has now been static for a number of years.¹⁸

Figure 12: Are you using agency/temporary staff to meet staff shortages?

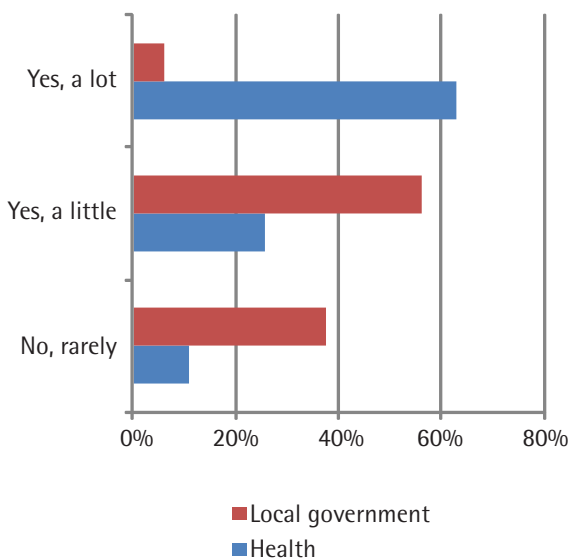
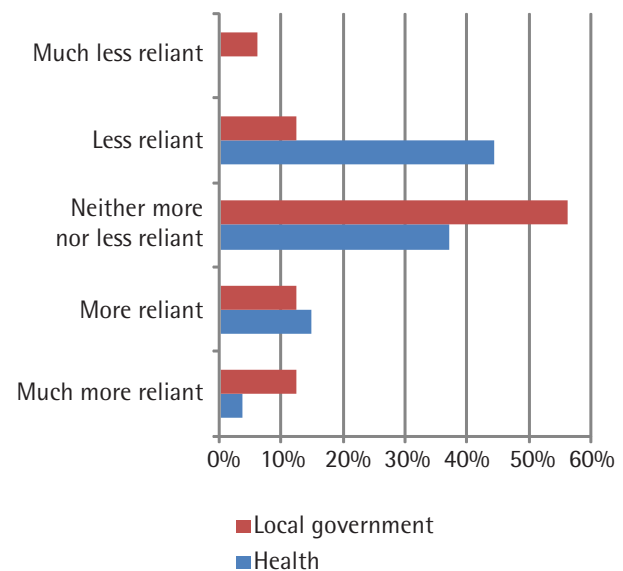


Figure 13: Looking ahead, do you expect to be more or less reliant on agency/temporary staff?



17 See for example the NHS Trust Development Authority report; NHS Trust Services and Financial Performance Report', 2015, and research by the Nuffield Trust

18 See Comensura, 'Temporary qualified social care workers: the view from recruitment agencies', 2015

Pay squeeze and NHS Trusts

Key survey findings

- 56% think the NHS pay squeeze has had "some impact" on recruitment and retention and 11% a "significant impact".
- Around 56% of respondents think the continuation of the pay squeeze will impact "a little" on their ability to recruit/retain staff and (22%) said "a lot".
- No one believes that the pay squeeze is good for morale. 59% said it was "bad for morale" and 22% said it was "very bad for morale".

The survey findings suggest that a sizable majority of Trusts believe that the pay squeeze in the NHS over the past few years

has had a negative impact on their ability to recruit and retain staff. Around two-thirds of respondents state it has had some impact or a significant impact. Even more are concerned about the future: overall 78% believe that the continuation of the pay squeeze will impact a little or a lot on recruitment and retention.

Our interviews suggest that although pay is becoming a more important factor in recruitment and retention, it is a contributory factor (alongside other inter-related factors such as stress/workloads, dissatisfaction, mistreatment). A lot depends on the type of post and whether the Trust is competing with the private sector. It was also said that for some posts there is not a strong enough pool of candidates.

Figure 14: Has the pay squeeze impacted on your ability to recruit and retain staff?

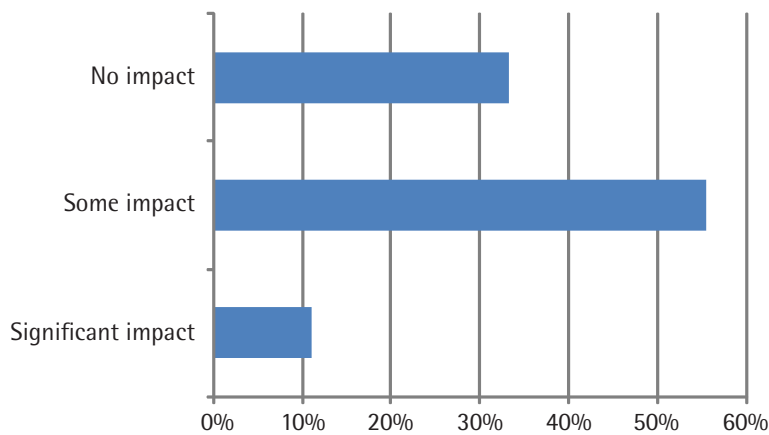
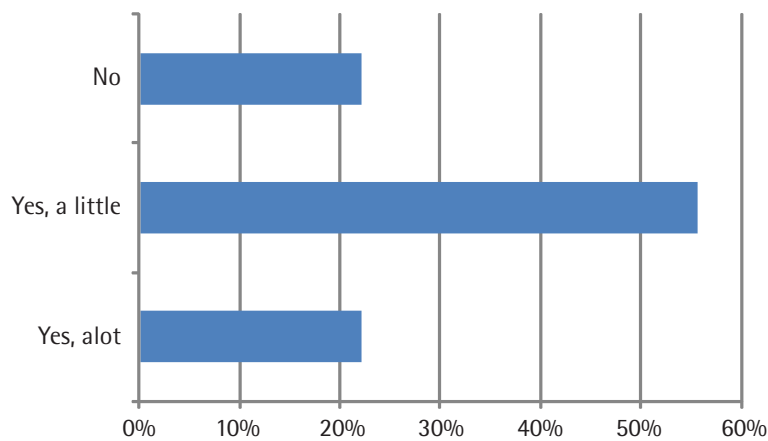


Figure 15: Will the continuation of the pay squeeze impact on your ability to recruit and retain staff?



While some Trusts report using reward to try and improve recruitment and retention, a review of Trust board papers suggests that these are in the minority. To some extent, trusts are competing for the same staff and offering similar pay, terms and conditions under the Agenda for Change pay framework (although in reality terms and conditions vary hugely, with staff placed on different bands or are able to claim different premia or allowances depending on their location or service).

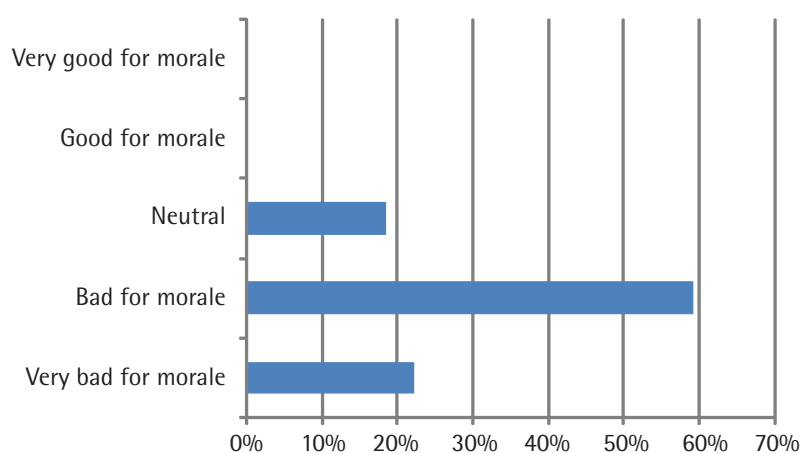
While Trusts are often competing against each other for staff, the fact that staff can receive very different pay for the same role at another Trust also makes pay an important factor in leaving or joining. One workforce manager interviewed commented: "It is a fallacy that the same job is being paid for the same role in

different Trusts around the country. There is a huge amount of flexing of Agenda for Change going on, especially where Trusts are in deficit."

The interviews suggest that Trusts are struggling to respond to the pay squeeze. Rather than increase pay rates many are seeking to illustrate to staff the value of their overall benefits package by using total reward statements, which are being rolled out across the NHS over 2015.

One worrying aspect of the pay squeeze is the negative impact on staff morale. None of the survey respondents said that the pay squeeze is good for morale. 81% said it was "bad for morale" or "very bad for morale".

Figure 16: What impact has the pay squeeze had on staff morale?



Pay squeeze and local government

Key survey findings

- 88% of respondents said that the pay squeeze had an impact (of which 19% said "significant impact") on the recruitment and retention of staff. Only 13% said it had "no impact".
- 88% said the continuation of the pay squeeze will impact on recruitment and retention, of which 38% said it would impact "a lot".
- 25% of respondents said the pay squeeze was "very bad for morale" and 44% said it was "bad for morale". No respondents thought the pay squeeze was good for morale.

The survey shows that the pay squeeze has had an effect on recruitment and retention in local government, with 19% of respondents saying it had a "significant impact" and 69% saying it had some impact. Moreover, half of respondents said they expected the continuation of the pay squeeze to effect

recruitment and retention "a little", and 38% thought it would have a more significant impact.

The interviews with HR professionals paint a more mixed picture, with some councils (notably in rural areas and small towns) expressing fewer concerns over pay and recruitment and others (often in urban areas) experiencing problems for key managerial and professional staff, especially for posts where there is a private sector comparator. As one council interviewee reported: "The private sector can offer higher salaries, people can earn a bit more - however they often come back because public sector work has other advantages, i.e. being more interesting".

The survey showed that the pay squeeze has had an impact on staff morale, with 69% of respondents stating that it had been "bad or very bad for morale". These responses were higher than for NHS Trusts and present a major challenge to HR professionals in local government.

Figure 17: Has the pay squeeze impacted on your ability to recruit and retain staff?

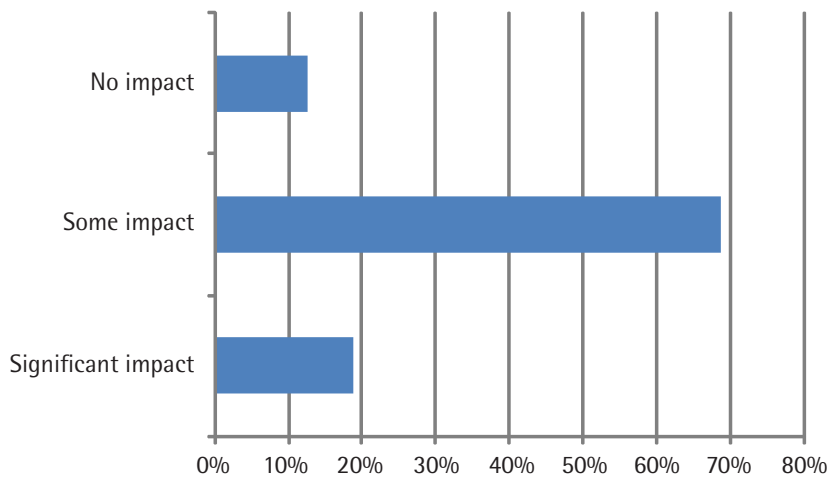
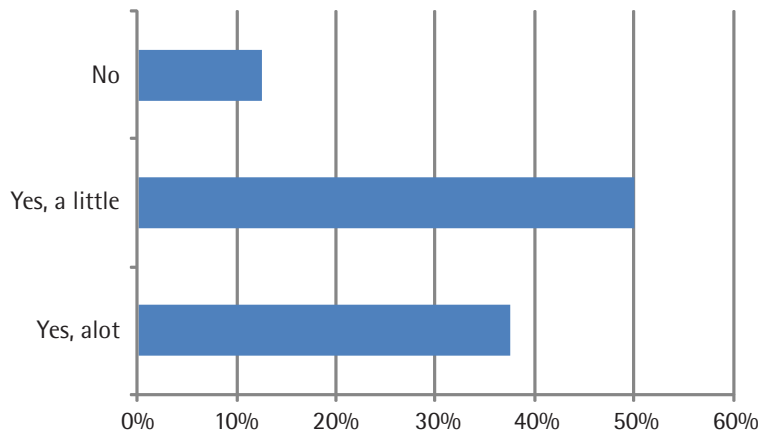
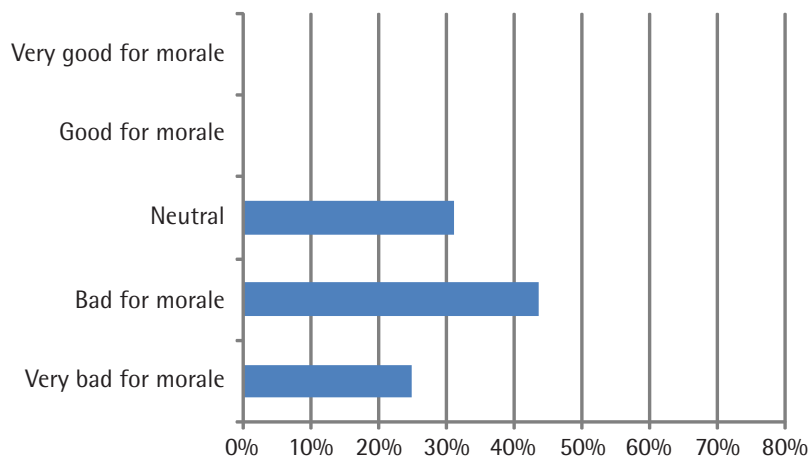


Figure 18: Will the continuation of the pay squeeze impact on your ability to recruit and retain staff?



Interviews with HR professionals suggest that the low levels of morale in part reflect a rise in staff stress and staff burnout. According to staff surveys by the Nuffield Trust, stress-related illness rates are rising and may contribute towards staff shortages.¹⁹

Figure 19: What impact has the pay squeeze had on staff morale?



19 Nuffield Trust 'Quality Watch', 2014

Conclusion

All public service workers have been affected in some way by the pay squeeze. In some cases the changes are difficult to identify, such as a growing sense of job insecurity and fewer opportunities for work progression. In others they are more overt, such as hiring more agency and temporary staff (often at higher pay rates) and moving staff to lower pay bands without changing the content of the job.²⁰

Five years of pay restraint has also had a negative effect on staff morale, which is at the heart of the public service ethos and plays such an important role in staff retention. The decline in morale and a growing sense of being under-valued is partly connected with the pay squeeze, but also due to growing numbers of staff reporting stress-related illness.²¹

As our on-line survey and interviews with HR directors and managers clearly show, both healthcare and local government are struggling to recruit and retain the staff they need. For skilled, specialist and experienced staff, the recruitment difficulties of today could easily become a catastrophe. In NHS Trusts there are also problems recruiting intermediate roles (mid-pay grades), which will have adverse knock-on effects for support staff.

The government's recent decision to extend the 1% public sector pay cap for another four years hardly bodes well. With stronger real earnings growth in the private sector and continued fiscal consolidation, HR managers may see more experienced staff leaving, some joining private recruitment agencies and then re-employed at a higher cost. Despite the growing realisation of

this false economy ministers remain reluctant to even consider looking at options for how government could meet the extra costs associated with local government and NHS pay increasing in line with the labour market average. There is also an unwillingness to examine the costs of agency work in public services or review lifting the barriers to effective workforce planning.

Without government intervention and more investment in workforce training and development staff shortages will surely continue to plague key public services. As the survey demonstrates, without the skilled staff there will be a greater reliance on less qualified and less experienced staff – which for NHS Trusts in particular carries with it potential risks to patients.

As our survey suggests, HR directors and managers are not insensitive to the problems in recruitment and retention. They are rightly concerned not only about securing the best talent and making work better and thereby improving service quality and productivity, but also the negative impact for the safety and reliability of the services that they are delivering if there are not sufficient qualified and experienced staff in place.

Good people management, investment in training and career development, and a comparable benefits package are all important ingredients for effective recruitment and retention. But, so too are financial rewards and a fair and decent pay packet. Without fair pay and a return to the normalisation of pay determination, local government and the NHS will surely find it harder to meet the difficult challenges ahead.

20 Unison 'Defending Agenda for Change', 2015

21 The 2014 NHS Staff Survey reported that 47% cent said that there is not enough staff to enable them to do their job properly. The Nuffield Trust says stress related illness rose by a tenth to 38% between 2008-13

