

Retention Bonus for Pharmacists : Discussion paper for joint evidence to the NHS Pay Review Body

Contents

Section	Title	Page
1.0	Introduction	1
2.0	Recommendations from the NHSPRB 23rd Report	2
	2.1 Recommendation 1 (3.38 in the report)	2
	2.2 Recommendation 2 (3.40-3.41 in the report)	2
	2.3 Recommendation 3 (3.42 in the report)	2
	2.3.1 Unite Proposal for Retention Bonus	2
	2.3.2 Issues to be addressed with the 5 year retention bonus	3
	2.3.3 Potential Costs of the Proposed Retention Bonus	4
	2.3.3.1 Phased Payment of Bonus	4
3.0	Alternative Recruitment and Retention Solution 1	4
4.0	Alternative Recruitment and Retention Solution 2 Annex T option	5
5.0	Alternative Recruitment and Retention Solution 3 Annex U option	5
6.0	Hidden costs	5

1.0. Introduction

The NHS Pay Review Body (NHSPRB) Twenty-Third Report 2008, acknowledged the national vacancy problem with pharmacists at bands 6 and 7 within the NHS. They noted that this was due to a marked differential in annual salary of around £10,000 between a newly qualified pharmacist in the community and a band 6 pharmacist and the same between a pharmacist with three years experience in community and a band 7 pharmacist. In their evidence, the Department of Health (DH) claimed that this differential for newly qualified pharmacists reflected the different levels of responsibility between the 2 roles. With the advent of the responsible pharmacist we would argue that a newly qualified hospital pharmacist working out of hours on their own, for example, is taking the same level of responsibility and has the same degree of accountability as a newly qualified pharmacist working in a community setting. Therefore salary differences based on this argument are invalid.

The difficulties associated with recruitment and retention of pharmacists also impacts on the ability of individual pharmacy departments to achieve Government objectives around medicine's management, as highlighted in the Association of Teaching Hospital Pharmacists' submission to the Pharmacy white paper consultation. The NHSPRB made several recommendations within the report to try and address the problem.

2.0 Recommendations from the NHSPRB 23rd Report

2.1 Recommendation 1 (3.38 in the report)

They strongly urged the DH and NHS Employers (NHSE) to investigate whether or not local recruitment and retention premia (RRP) are being used to overcome the problem relating to pharmacists and offer guidance to Trusts on the use of local RRP. In the Cheshire and Mersey SHA, there is an agreement amongst Trusts not to use any local RRP without discussing the likely impact throughout the SHA. This would also appear to be the case in the North East and Yorkshire. Consequently no local RRP have been used, to our knowledge, in relation to the pharmacist problem.

2.2 Recommendation 2 (3.40-3.41 in the report)

The NHSPRB also made the recommendation that there should be a national solution to the recruitment and retention problem for pharmacists. However, at that time, they did not support the proposal put forward by Unite for a RRP with a cash value equivalent to 4 incremental points on the salary scale (approximately £4000 per year) for band 6 and 7 pharmacists. They felt the main issue was one of retention, particularly after 3 years within the managed sector, rather than recruitment.

It was suggested that new career opportunities in secondary care, such as consultant pharmacist posts, were likely to act as a better motivator than pay. However, our concern with this is the introduction of consultant posts within the managed care sector has been slow and is unlikely to act as a motivating factor in retaining staff unless this changes. To progress to consultant level, an individual pharmacist is likely to require at least 5 years post registration experience to meet the criteria set out for this position. We would agree that this is an attractive career pathway but pay is likely to be an important part of the decision process as well, especially at the start of a pharmacist's career when issues such as student debt are very real.

2.3 Recommendation 3 (3.42 in the report)

The main recommendation regarding RRP for pharmacists was to concentrate on bands 6 and 7 and reach a workable solution before the next PRB round. They suggested a retention bonus payable to newly qualified pharmacists who remain in the NHS for 5 years. The recognition that there is scope for a national retention bonus confirms that local RRP are not appropriate since the issue needs to be addressed by a national solution. The PRB asked for employers and staff side to discuss this option and report back on any progress. The PRB acknowledged that this may present a number of issues prior to implementation.

2.3.1 Unite Proposal for Retention Bonus

Based on the evidence submitted to the PRB last year by Unite, a RRP of approximately £4000 per year for band 6 and 7 pharmacists was suggested. We feel that this annual figure is still a valid one. This would reduce (but importantly not abolish) the pay gap between the managed and private sectors. We do not feel that pay parity between the two sectors is necessary as there are potentially greater career opportunities and better employment terms and conditions within the managed sector. However, alone, these opportunities are insufficient to address the recruitment and retention issue, especially early in a pharmacist's career due to the ever increasing financial burden of a four year undergraduate course.

Taking this figure forward into a 5 year retention bonus would attract a payment of £20,000 plus approximately £3000 to allow for increased cost of living / inflation /

reduction in the value of money / discounted cash flow (at 10%) over the 5 year period.

An alternative approach could be a phasing of the retention bonus starting in year 3 and this is outlined below (2.3.3.1)

2.3.2 Issues to be addressed with the 5 year retention bonus

If this were payable after 5 years of reckonable service in the NHS, a number of issues would need to be addressed to make it work as intended and help the NHS retain staff without preventing promotion and free movement of individuals. Some of these issues are outlined below.

1. Paying a lump sum bonus after 5 years of reckonable service may have a negative impact on career progression. If reckonable service includes the pre-registration year, it is highly likely that within 1 year of gaining a band 7 post, the bonus would be payable. If the employing Trust (at 5 years) has to pay the bonus, there will be a reluctance to take on staff close to this point in time. If this results in delayed career progression, there is a strong possibility that band 6 pharmacists would leave the managed services to work in the private sector or as a locum. This is what we are trying to avoid with the retention bonus. This could be solved by having a central fund to pay the bonus and by phasing the payment.
2. One of the concerns raised by the PRB with an annual RRP as put forward by Unite last year was that there was nothing to stop pharmacists continuing to stay in the NHS for 3 years, earning £4000 per year more but still leaving after 3 years. Similarly, with the proposed retention bonus, there is nothing to stop the individual leaving the NHS after the bonus has been paid
3. The bonus will do little to affect pre-registration pharmacists moving from hospital to the private sector or working as a locum for the reasons outlined below.
4. There will need to be a clear definition of what constitutes reckonable service to account for those staff taking career breaks or going on maternity leave.
5. Guidance will be required to determine who actually funds the bonus. Will it simply be the Trust that employs the pharmacist once they reach 5 years service or will it be drawn from all the Trusts that have employed the individual during these 5 years or would it be more appropriate to have a central fund? If the latter is the case, how would this be managed / administered?
6. If the bonus is paid as a single sum after 5 years, this could impact significantly of the individual's income tax contributions for that year.
7. How will the system be monitored to ensure payment is made at the appropriate time?
8. How will the bonus be paid to individuals who reduce their weekly hours or become part time? If this is part way through the 5 year period, how will their bonus entitlement be calculated and by whom?
9. To which staff will the bonus be paid ? It would cover more than band 6 and 7 posts since some individuals may be at band 8a or 8b after 5 years service.
Options might include:
 - a. Pharmacists who have been in the NHS for 5 years after the implementation of the bonus
 - b. All pharmacists with 5 years in the NHS after the implementation date for agenda for change

- c. All pharmacists with 5 years service in the NHS

2.3.3 Potential Costs of the Proposed Retention Bonus

The potential costs of this proposal are difficult to determine. However, based on the 2007 National NHS Hospital Pharmacy Staffing Establishment and Vacancy Survey, there were 1300 band 6 and 1200 band 7 posts within the hospital sector in England and Wales. It is unlikely that there will be many band 6 pharmacists in post with 5 years reckonable service initially. Of the band 7 posts in the survey, there was a 17% vacancy rate leaving approximately 1000 posts filled. Assuming pharmacists spend about 5 years at band 7 and there is an even spread of pharmacists across this band that would give approximately 200 band 7 pharmacists with 1 years experience, 200 with 1-2 years and so on. Assuming pharmacists spend 2-3 years at band 6 and they complete their pre-registration experience in the managed care sector, this would equate to approximately 600 pharmacists that would be in band 7 and eligible for the bonus immediately. The cost of this initial payment to the NHS would be £12.3 million (600 x £20500). After this initial period and based on the previous assumptions, approximately 250 pharmacists would qualify for the payment each year (this allows for increased retention and a reduction in the current vacancy rate). Therefore the recurrent annual cost of this bonus scheme would be £5.2 million pounds.

However, these figures do not take into account any payments that would have to be made to pharmacists at higher bands who have remained within the managed sector for more than 5 years. If these staff are not rewarded in the same way as current band 6 and 7 staff this could lead to resentment and demotivation within the service and the possibility of claims for unfair treatment. It also takes no account of the staff who are currently at band 7 in primary care or working in any managed care setting in Scotland. Last year's hospital vacancy survey did not include data for Scotland or Primary Care Trusts, although these data will be available from this years survey, due for publication at the end of October.

2.3.3.1 Phased Payment of Bonus

One solution to reduce the annual cost of the retention bonus would be to offer phased payment of the bonus starting after 3 years in service as follows:

3 years service	10% of full bonus
4 years service	30% of full bonus
5 years service	60% of full bonus

This would also address the problem of limiting movement for staff approaching 5 years service in point 1 of 2.3.2 and the tax burden issue raised under point 5 of 2.3.2. However, administration of the system may prove difficult and is likely to lead to an increase in the overall financial cost.

3.0 Alternative Recruitment and Retention Solution 1

We feel that the proposal put forward by Unite last year for a national RRP payment equivalent in cash terms to 4 incremental points for band 6 and 7 staff is fairer, easier to administer and will resolve the issues around recruitment to band 6 and retention of pre-registration pharmacists that our members and pharmacy managers alike are still reporting. There is good evidence available from Northern Ireland that a national RRP for pharmacists does work, is sustainable and does not result in spiralling wage bills due to competition from the private sector.

To contain the costs of this option to some degree and avoid a large overlap between bands 7 and 8a, **pay progression within bands 6 and 7 could be capped at the top of those bands.** Therefore the individual would in effect receive a higher starting salary but still have the same ceiling payment as other staff within that band. Therefore band 6 pharmacists would start at pay point 27 rather than 23 and the top of the band would remain at pay point 31. Similarly band 7 pharmacists would start at pay band 32 rather than 28 and the top of the pay band would be 36. To avoid leapfrogging over current band 6 and 7 pharmacists when the RRP is first introduced, all current band 6 and 7 pharmacists would have to receive the same RRP of four incremental points capped at the top of the pay band. This national RRP could be reviewed after 3 years to determine if the market factors that gave rise to the requirement for a RRP are still present.

4.0 Alternative Recruitment and Retention Solution 2-Annex T option

Annex T of the AfC terms and conditions handbook provides for groups of staff who begin their professional career in the NHS at band 5 to move into band 6 within 1 to 2 years, without the need to apply for a higher banded post, if the job weight for the post can be demonstrated to change over this time period. This arises where the staff “move quickly to operate in roles that demand a level of autonomous decision making in the overall delivery of care that exceeds that normally associated with jobs allocated to band 5.” Currently there is no provision to operate this in other paybands. Pre-registration pharmacists train at band 5 and take up posts as qualified NHS pharmacists at band 6. Consideration could therefore be given to recommending that there are grounds for extending the principles in annex T to newly qualified pharmacists in band 6, therefore allowing quick progression into pay band 7 without the requirement to apply for a new post.

However, natural career progression for a newly qualified pharmacist at pay band 6 is to study for a further postgraduate qualification and move up to a band 7 post within 2 to 3 years.

Therefore this option will not change the current state of career progression under agenda for change. It will have little impact on the issue of recruitment to band 6 posts (since the starting salary would be the same) or retention of band 7 staff after 5 years in the NHS (since the individual would be on the same pay point). This accelerated career progression would have to apply to all staff that start in band 6 and could have a wide reaching impact across the NHS.

5.0 Alternative Recruitment and Retention Solution 3-Annex U option

Annex U provides arrangements for pay and banding of trainees.

Newly qualified band 6 clinical pharmacists who undertake further postgraduate qualifications and clinical training could be thought of as trainee specialist clinical pharmacists (band 7) under annex U. Under this trainee definition of the newly qualified post, there is the possibility to apply paragraph 2(iii) of annex U to the post. Assuming a 2 year training programme, under annex U, the trainee post would attract a salary of 70% of the top of band 7 during the first year and 75% in year 2. This would address, to some degree, the salary issue on recruitment (the starting salary would be £26846) but would not address the problem with retention of band 7 pharmacists, since they would be on the same salary point after 5 years whether this applied or not.

At this point in time, there is no formal training programme for the trainee specialist to undertake and therefore it would be difficult to apply Annex U part 2(iii) to the

post. Also the post that is undertaken by the trainee specialist has previously been evaluated (as per annex U part 2(i)) and has been matched to band 6. For this solution to be applicable the band 6 pharmacist post would have to be shown to be no longer appropriate.

6.0 Hidden costs

Another hidden cost to the NHS associated with the current vacancy rate is the use of locum pharmacists to fill vacant posts. In the 2007 NHS hospitals vacancy survey, 228 band 6 and 7 posts were filled with locum staff. Based on the current average cost for a locum of £40 per hour and a standard working week of 37.5 hours, locum pharmacists are costing the managed care sector in England and Wales £18million per year. The equivalent figure for 114 band 6 and 114 band 7 posts is around £6.3million per year. Therefore the cost of the 4 incremental point RRP (estimated to be about £10million per year) could be almost entirely funded by filling vacant posts with permanent staff rather than locums.