

To: Trust CEs and HR Directors, SHA Agenda for Change Leads

8th February 2006

Two-Tier Workforce and Agenda for Change

We are writing to draw your attention to the agreement on two-tier workforce which promoted the extension of [Agenda for Change for staff employed by contractors providing “soft” FM facilities](#) signed by the Secretary of State, NHS Employers, the CBI, the BSA and the main NHS trades unions in October 2005.

At the time, this was announced widely and was included in a variety of updates, including the Chief Executives bulletin. The rationale behind the agreement was that,

- Staff in these groups make a significant contribution to quality of the patient experience. Improvements to the skills, quality and morale of this section of the workforce should pay real dividends in the quality of service to patients
- These changes should make significant improvements to recruitment and retention rates
- The differentials between contractor staff and directly employed staff on Agenda for Change terms was causing increasing industrial relations tensions in many trusts with industrial action threatened in a number of areas. This agreement was designed to address those problems.

These staff have traditionally been amongst the lowest paid in the community. There should be social, economic and health benefits to improved pay for these staff. Contractors and trades unions have indicated to us that they do not think there has been progress in implementing new arrangements in many areas. Therefore, it was considered helpful to write out to organisations on this particular issue. The financial commitment was clarified in the recent announcement on the uplift in reference prices for 2006-07, which includes full provision for the costs of the deal from 06/07 onwards. On two-tier the tariff announcement stated that *“The 2006/07 figure includes £120m for estimated overspends on the original cost envelope and £75m for the implementation of the two-tier workforce agreement”*.

Given this announcement and the fact that the main contractors have assured us that they are holding the necessary funds to meet their obligations in 2005/06 in their balance sheets, this should now mean that NHS employers are able to enter into open, constructive discussions with their local stakeholders.

We would therefore encourage you to make helpful progress in this area. Locally organisations can expect unions and private sector employers to call for the NHS to make progress. We recognise the acute financial pressures on trusts at present and that implementing this agreement does place additional costs on trusts. However, it is important to recall that the agreement was reached with the view to averting a variety of industrial relation problems that were emerging locally. If progress is not made trusts need to make a careful assessment of the risks that this position will simply re-emerge.

We trust the latest announcement on the funding is helpful in terms of ensuring progress can be made. If you have any further questions you can contact julie.badon@dh.gsi.gov.uk in the DH pay team or Geoffrey.winnard@nhsemployers.org in the NHS Employers organisation.

Yours,



Andrew Foster
Workforce Director



Steve Barnett
Director NHS Employers