

Staff Paper 2014

HSE Pay Analysis

Irish Government Economic & Evaluation Service

Niamh Callaghan

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HSE PAY ANALYSIS

This note has two objectives in analysing the implementation of pay policy.

Firstly, it shows the evolution of the HSE pay bill over the period 2009-2013 and compares this to the pay and ECF reductions over the period. The main conclusions are:

- The HSE paybill fell by an estimated €597m or 9% over the period 2009-2013.
- The Numbers reduction (€445m) and FEMPI measures (€787m) should have amounted to €1.2 billion, or an 18% reduction, in pay savings over the period 2009-2013, with the remainder (c. €600m) delivering specific skills into priority frontline services.

The second objective specifically focuses on the actual pay savings that have arisen from HRA and ECF policy measures in 2013 and outlines the key areas where pay policy can deliver the required budgetary adjustment in 2014. The main conclusions are:

- The HSE pay bill fell by €85m in 2013. It was estimated that HRA delivered €57m in savings and the numbers reduction should have delivered an additional €96m.
- €268m adjustment was agreed by Government for 2014. Of the €268m pay saving, €248m was to be achieved under the HRA measures and €20m related to numbers reduction pay savings.
- The HRA should be able to deliver at least €248m in savings. The ECF adjustment has the potential to deliver €77m notwithstanding the agreed budget adjustment of €20m.

Overview – HSE Pay 2009-2013

Table 1 sets out the actual HSE pay reduction of €597m or 9% achieved over the past five years.

Table 1: Actual HSE pay expenditure, 2009-2013

	2009	2010	2011	2012	2013	Total change (2009-2013)	
	€m	€m	€m	€m	€m	€m	%
Pay Subtotal	6,929	6,466	6,385	6,251	6,166		
Year on Year change (€m)	+166	-463	-81	-134	-85	-597	9%
Year on Year change (%)	2.4%	-6.7%	-1.3%	-2.1%	-1.4%		

Source: Joint Employment Control Monitoring Group Reports

Table 2 sets out the savings of €1.2 billion which should have been achieved through various FEMPI measures, including pay cuts and numbers reduction over the same period. This means that approximately half of the savings were achieved.

Table 2: FEMPI & Numbers reductions, 2009-2013

	2009	2010	2011	2012	2013	Total
FEMPI/HRA Measures	5.9%	6%			0.92%	
FEMPI Measures Saving (€m)	397	334			57	787
Numbers Reduction (WTEs)	1,272	1,781	3,580	2,887	1,547	
Numbers Reduction Saving	27	66	116	140	96	445
Total Savings	424	400	116	140	153	1,233

Note: Numbers reduction saving is based on an average pay figure of €48,750 per WTE and assuming half the current year and half the previous year savings accrue in any given year.

2013 Position – HRA & Numbers Reduction

- A total of €308m in pay savings was to be achieved in 2013; €148m under HRA, €52m under ECF numbers reduction and €106m under the Croke Park Agreement.
- Initial HSE pay figures suggest that the actual pay reduction in 2013 was €85m
- In February 2014 the HSE estimated that only 39% or €57m in pay savings from HRA would be realised in 2013 (see breakdown by area in Table 3).

Table 3: Pay Savings 2013 and 2014

	Savings achieved in 2013 (as reported by HSE in Feb 2014)	2014 Savings*
	€m	€m
HRA Measures		
Pay cut	23.6	23.6
Increment		8.6
Twilight	7.0	7.0
Graduate Nurse	0.0	38.0
Support Staff Internships	0.0	13.7
Overtime and Agency*	17.7	117.9
Other (includes Sunday & Public Holidays and Top of Scale)	3.1	34.5
Allowances		10.0
Pay & hours in Section 39 agencies (Potential additional savings)	5.5	10.95 (23)
<i>Subtotal</i>	<i>56.7</i>	<i>286.7</i>
Numbers		
ECF Measures (Additional savings)		20 (57**)
Total Potential Pay Savings		364.0

*The 2014 savings are calculated by deducting the total reported 2013 savings from the total HRA savings agreed by the HSE in the course of the negotiations.

**Refer to Table 6 in appendix for calculation of €57m in additional savings from ECF pay reductions.

2014 Position – HRA & Numbers Reduction

- In total, the Government have agreed to reduce HSE pay by €268 million or 4.5% to a gross total of €5.7 billion in 2014. To date, the HSE have allocated €160 million of the €268 million in savings and:
 - €108m is categorised as unspecified pay savings by the HSE.
- The pay saving Budget adjustments are reasonable and deliverable when considering HRA and ECF reductions.
 - The HRA savings in Table 3 show the knock on effects of HRA savings on the 2014 position.
 - The pay cut measure reflects the actual amount saved in 2013 which should be realised in 2014.
 - Section 39 agencies have an adjustment of €11m. Given the allocations to these bodies is in excess €1 billion, there is a greater potential for savings from these organisations by reflecting HRA type changes to their grant allocation under HRA.
- The 2014 ECF requires a reduction of 2.2% or 2,004 WTEs in 2014 on the outturn employee numbers position for end 2013. This equates to over €77m (See Table 6 in Appendix). The numbers reduction has the ability to deliver significant additional savings to the €20m agreed in the Budget.
- Agency and Overtime would appear to be the main areas where implementation of HRA is required in 2014 to deliver €95m in savings.

Agency and Overtime

- The overtime bill has fallen to €223m in 2013, a total reduction of 28% since 2009.
- In contrast, the agency bill increased to €260m in 2013, representing an approximate doubling of costs since 2009.
- HSE have reported that agency and overtime delivered savings of €40.7m in 2013. However, the cost for agency and overtime pay increased by €13m in 2013, with agency increasing by €45m and overtime decreasing by €32m (see Table 4).

Table 4: Annual changes in Agency and Overtime Expenditure

	% of total HSE Pay Expenditure	2012		2013		2014	
		€m	Change on previous year	€m	Change on previous year	€m (estimate)*	Change on previous year
Agency	4.2%	215	-53	260	45	207	-53
Overtime	3.6%	255	35	223	-32	181	-42
Total		470	-18	483	13	388	95

*Reduction in expenditure required to meet HRA targeted savings

- In the second half of 2013, HRA clearly delivered savings on overtime of €20m or 16% over the same period in 2012.
- The 1.5 million additional hours secured under HRA should deliver the savings required in agency and overtime expenditure.

Appendix – Additional Information

Table 5 charts the various changes in the different components of the pay and pensions' bill over the past 5 years.

Table 5: Profile of pay expenditure, 2009-2012

	2009	2010	2011	2012	2013	5 year change	5 year % change
	€m	€m	€m	€m	€m	€m	
Basic	5,310	4,891	4,806	4,693	4,638	-671	-12.6%
Overtime	310	279	268	255	223	-87	-28.1%
On Call	100	88	82	85	77	-23	-22.9%
Allowances	176	168	166	161	148	-28	-15.9%
Weekend/Public Holiday	284	259	254	247	239	-45	-15.7%
Night Shift	110	101	99	97	94	-16	-15.0%
PRSI Employer	496	457	469	473	465	-31	-6.3%
Arrears/Other	16	23	20	25	22	7	42.8%
Locum/Agency	127	199	220	215	260	133	104.2%
Pay Subtotal	6,929	6,466	6,385	6,251	6,166	-763	-11.0%
Superannuation	647	743	698	810	697	50	7.7%
Pay Total	7,576	7,209	7,083	7,062	6,864	-713	-9.4%

Source: Joint Employment Control Monitoring Group Reports

ECF Savings 2014

- The 2014 ECF target for the HSE is 94,209.
- Table 6 below sets out the actual numbers reduction which occurred in 2013 and the reduction required for 2014. The savings are calculated based on a half year equivalent pay reduction using with an average salary of €48,750, taking loss on superannuation and PRD and savings on employers' PRSI into consideration.

Table 6: 2014 ECF Pay Savings Calculations

	Numbers reduction	Saving
	WTE	€m
Actual reduction in WTE required in 2014	2,004	51.1
Actual exits in 2013	1,547	25.6
Total	3,551	76.7

Numbers reduction

- Since end 2008, numbers have fallen by 11,067 across the Health Service. The bulk of this decrease in staff has occurred in nursing, management/admin and general support staff. In contrast, the number of medical/dental staff has increased by 3%.

Table 7: Changes in WTE by staffing category, 2008 to 2013

Staffing by Category	WTE change 2008-2013	% change
Medical/ Dental	244	3.01%
Nursing	-4,340	-11.39%
Health & Social Care Professionals	-136	-0.85%
Management/ Admin	-2,465	-13.72%
General Support Staff	-2,936	-23.24%
Other Patient & Client Care	-1,434	-7.87%
Total Health Service	-11,067	-9.97%

Source: Joint Employment Control Monitoring Group Reports

- Numbers reductions have been supported by numerous schemes including non-replacement of departing staff, the 2010 voluntary early retirement and redundancy scheme, a transfer of nearly 1,000 WTE to the civil service, the effect of the FEMPI “grace period”, etc. However, superannuation costs have also increased by 25% over the same period, although this increase is not driven solely by the additional departures. Superannuation costs have been affected by the PSPR introduced under the Financial Emergency Measures in the Public Interest Act 2011.
- Haddington Road is to generate 3.2 million hours equating to a headcount reduction of 1,950. These are relatively equally distributed across nursing, healthcare professional and management/admin staff.

- The headcount hours may be applied to maintain existing services as headcount reduces and/or to facilitate further headcount reduction in line with ECF targets
- The HSE have noted the following points:
 - The various exit schemes in the last few years, primarily targeted non front-line staff. The workforce profile has undergone significant change in recent years. Clinical staff as a percentage of total employment, compared to non-clinical (management/admin and General Support Staff), coupled with government recruitment policy, has increased from 71.8% to the current rate of 74.8%. This has also impacted on the profile of the pay roll.
 - The highest paid staff are medical consultants composing 2.56% of total health sector employment, up from just over 2% in 2008. The converse situation can be seen in non-clinical staff categories. Therefore, reductions in the employment proportion of lower paid staff has served to increase average pay costs.
 - Services delivered through the use of agency staff has increased from 1.24% of the paybill in 2008 to 4.21% in 2013. This is driven by a number of factors including the moratorium on recruitment, recruitment difficulties and increased service demands.

Reporting of pay bill

- Analysis of pay expenditure is complex due to the multiple reporting mechanisms, including voted and Income and Expenditure (I&E) figures.
- Table 8 illustrates the differences between the gross HSE paybill (as per voted returns) and the corresponding figure from the HSE Monitoring reports (I&E figures). The difference in the pay reduction figure between the vote outturn and HSE figures over the five year period is €424m.

Table 8: Comparison of pay expenditure as per vote and HSE reports, 2009 to 2013

	2009	2010	2011	2012	2013	Reduction	
Gross HSE pay (Vote outturn)	7,434	6,758	6,443	6,403	6,247*	1,187	16%
Paybill (as per HSE reports)	6,929	6,466	6,385	6,251	6,166	763	11%
Difference	516	295	-51	-125	81	424	

*As per HSE Returns

- Pay expenditure figures per vote estimates differ from the monthly monitoring I&E reports received from the HSE. Some of the differences between the two sets of figures can be attributable to:
 - The different pay costs attributable to the funding of the voluntary sector
 - The methodology used to determine the pay and non-pay divide of the voted sum, including the use of allocation rules
 - The use of different accounting procedures and various timing differences arise between cash based and accrual based spend.