

NHS COMPENSATION AND REWARDS STRATEGY HUMAN CAPITAL MANAGEMENT

Module number 7024

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INTRODUCTION

- ▶ UK National Health Service is important pillar of country because it help to manage medical and health factor of country, and it is also country's primary healthcare foundation which was established on 1948 (Pordes, Blockley, and Bell, 2025).



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Workforce includes

- ▶ Nurses
 - ▶ Doctors
 - ▶ Allied health professionals
 - ▶ Administrative staff
 - ▶ Support workers
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Agenda for Change (AfC) Structure

- ▶ The Agenda for Change (AfC) system was introduced in 2004 to standardise pay and grading across the NHS workforce.
- ▶ It remains the largest public sector pay framework in the UK.
- ▶ Pay Band Typical Roles
- ▶ Band 2 Healthcare assistants
- ▶ Band 3 Clinical support workers
- ▶ Band 4 Associate practitioners
- ▶ Band 5 Newly qualified nurses
- ▶ Band 6 Specialist nurses
- ▶ Band 7 Advanced practitioners / ward managers
- ▶ Band 8 Senior management
- ▶ Band 9 Executive leadership

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Current HCM Challenges

- ▶ In NHS, human capital management face various challenges related to compensation and rewards because all employees get low compensation as compared to other health organisations.
- ▶ Due to this challenge, HRM also face problems related to employee's retention because they are preferring other organisations for better rewards and compensation (NHS Employers, 2024).

TOP 10 HR CHALLENGES & HOW TO HANDLE THEM



Process of Recruitment & Selection



Hiring & Retaining the Best Talent



Employee Relations



Communicating with the Team



Retention & Termination



Staff Motivation & Development



Career Development



Employee Benefits



Performance Evaluation

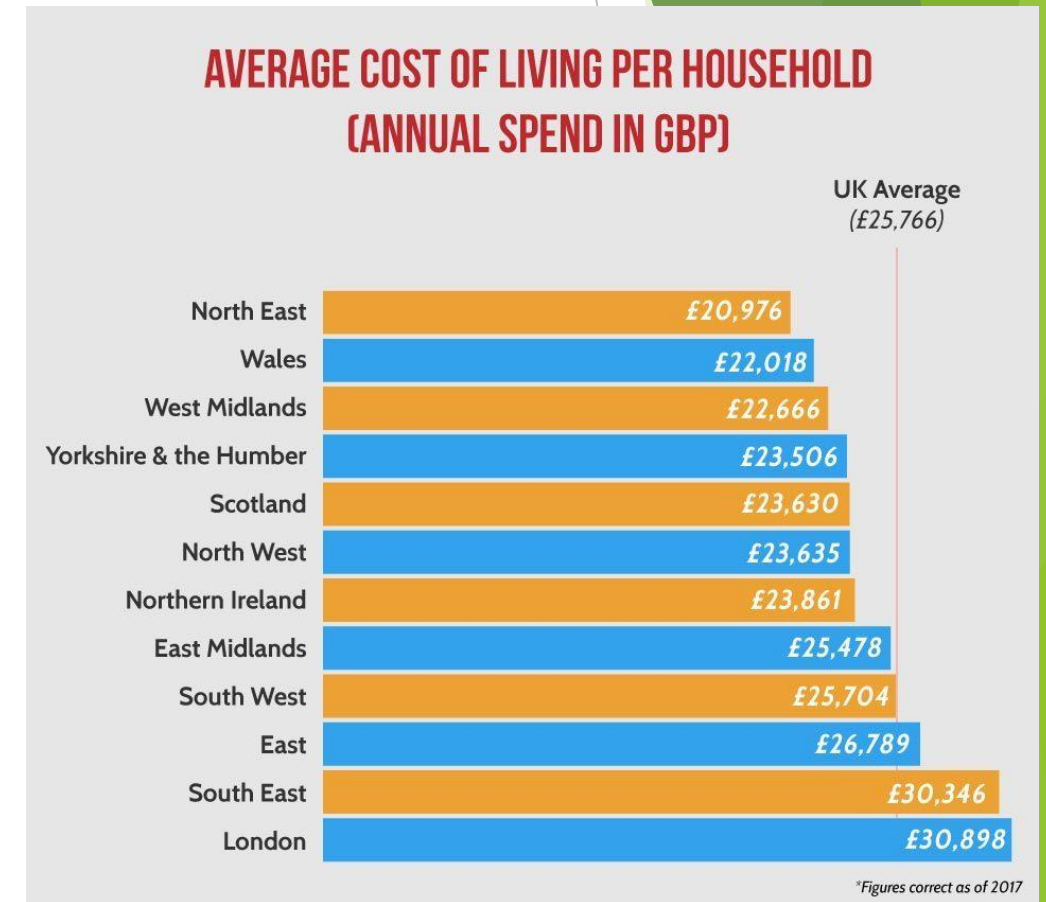


Employee Wellbeing

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Cost of Living and Pay Erosion

- ▶ In UK, inflation is continuously increasing which also significantly increasing cost of living and price of different goods and services, and according to some data it was found that inflation increased by 0.9% which increased expenditure of citizens (Testbook, 2020).



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- In today's environment competitive compensation and rewards are important for employees, but in NHS.

NHS staff pay and the cost of living compared to 2010

Financial years, earnings in real terms based on consumer price index



nuffieldtrust

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Compensation and Pay Dissatisfaction

- ▶ In health and social care services, different employees and staff get satisfactory compensation.



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- ▶ In young professionals, this dissatisfaction is seen more and around 54% young employees are dissatisfied, and it also affect quality of work and services.



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Competitive Market and Retention Crisis

- ▶ NHS have very low employee retention rate which affect its service quality due to limited staff, and different reports also highlight that 3 out of 20 employees leave organisation within one year (NIH, 2025).

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- ▶ London and South East which affect employee's cost of living, and NHS also face recruitment shortage problems in these areas.



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Financial Constraints and Reward Strategy

- ▶ NHS majorly funded through central government and it also maintain personal saving to effectively maintain different operations and investment.

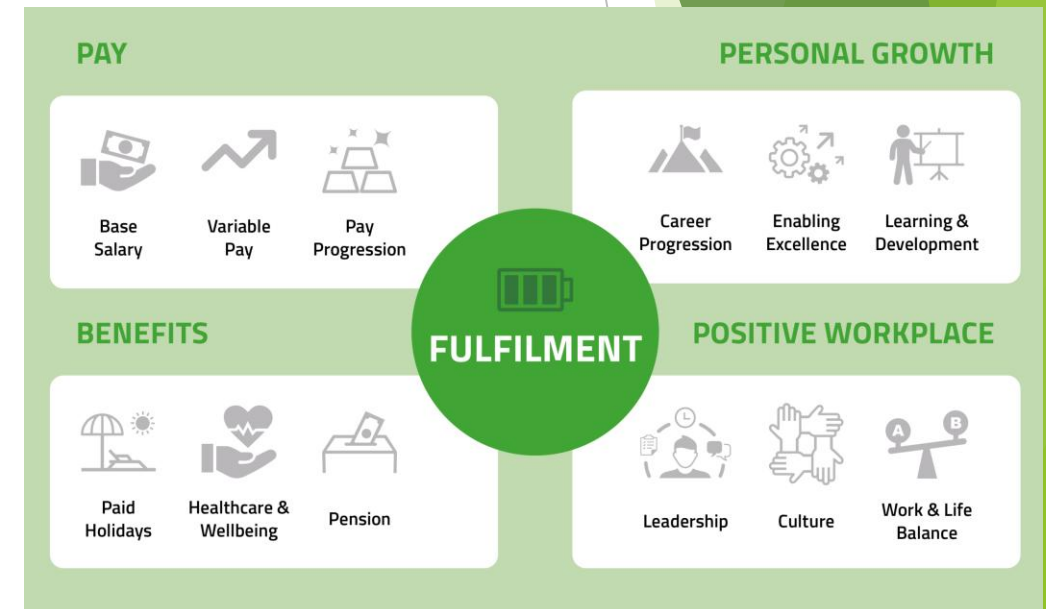
Figure 1 Factors affecting the quality of health care services patients receive



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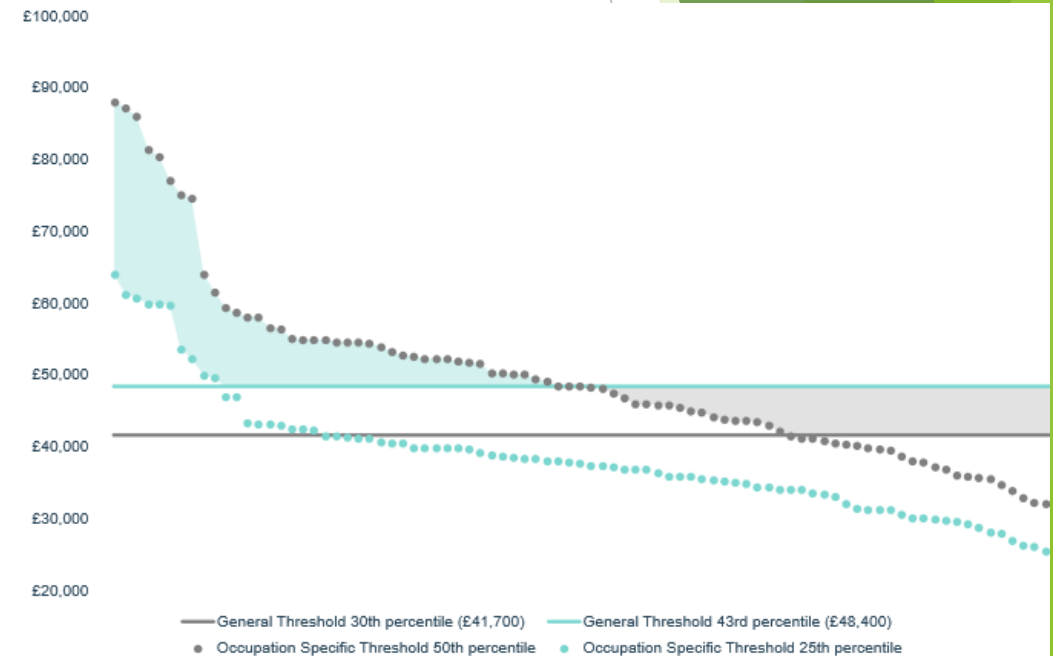
- ▶ Employee's work-life balance and well-being is also consider as part of reward and compensation because it help them to maintain balance in their life.



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Salary Thresholds and Reward Administration

- ▶ According to new regulation and rules, salary thresholds increased to £25000 which further created challenges for recruitment, and in health and social care, entry level brand 3 and 4 job roles facing compensation problems because organisation fail to meet new threshold regulation, and it increases problems for employees to manage their living costs (Exworthy, and Nash, 2024).



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Root Cause of Issues

- **Policy Factors**
- NHS's financial policies are strictly structured and it majorly follow agenda for change framework which maintain rigid structure which fail to align with economic changes and inflation factors.

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THE AVERAGE NHS STAFF COMPENSATION PAYOUTS

INJURY	SEVERITY	COMPENSATION
 Multiple injuries with financial losses	Very severe	Up to £1,000,000 +
 Head	Very severe	£344,150 to £493,000
 Back	Severe (i)	£111,150 to £196,450
 Neck	Severe (ii)	£80,240 to £159,770
 Ankle	Severe	£38,210 to £61,090
 Knee	Severe	£31,960 to £53,030
 Wrist	Permanent disability	£29,900 to £47,810
 Shoulder	Serious	£15,580 to £23,430

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- ▶ Different national policies related to compensation, funding and management also negatively affect employee's compensation and rewards.



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Structural Factors

- ▶ NHSs financial and compensation management is majorly bureaucratic in nature which increases structural issues.



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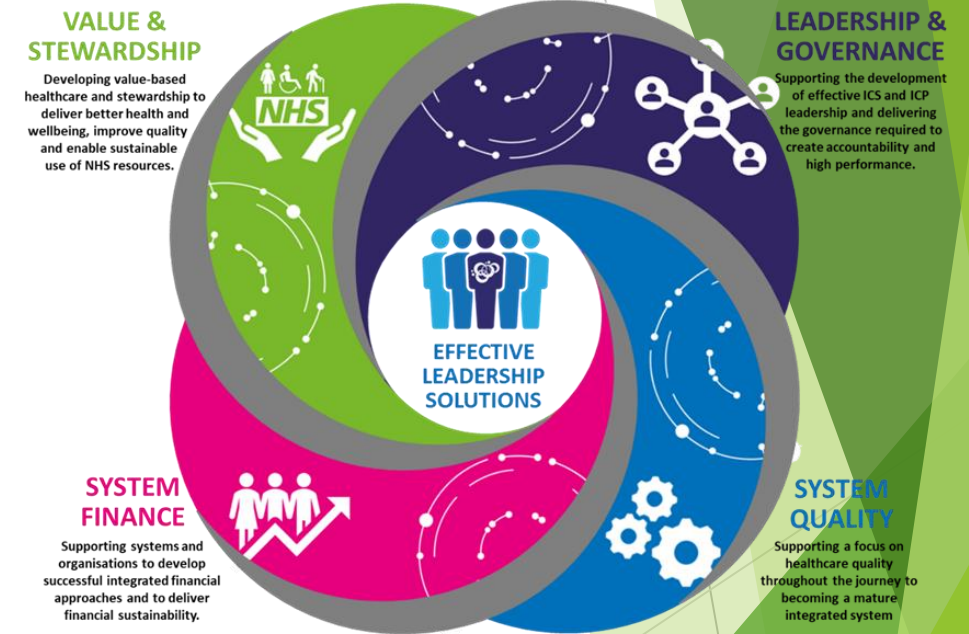
- ▶ In health and social care sector many private organisations highlight more attractive and long-term reward structure which encourage NHS's employees to leave organisation and join private firms for better rewards and compensation (Thusi, and Chauke, 2023).



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Leadership factors

- ▶ In NHS, leadership also fail to create appropriate and positive working environment for employees due to complex and structured working culture.



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- Leadership also challenges to maintain performance pay rewards for employees, and due to this inefficiency, many saviour, professional and high performing employees feel that their high performance will not rewarded properly which cause dissatisfaction and also affect quality of services.

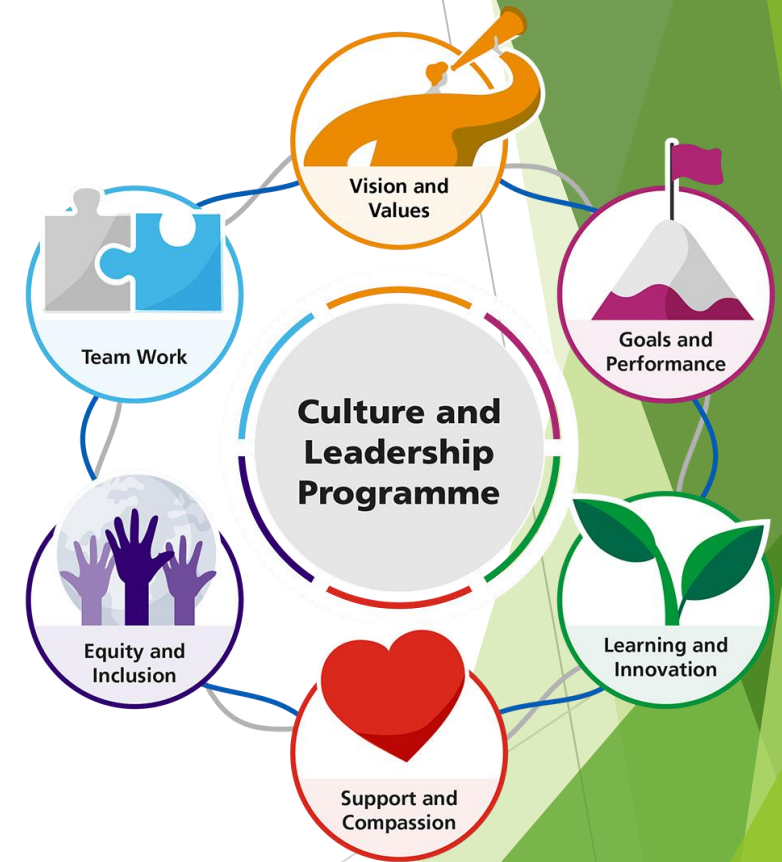


Factors Affecting Employee Compensation

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Cultural Factors

- ▶ In employee's job satisfaction, organisational culture is important factor for mangning their satisfaction level.

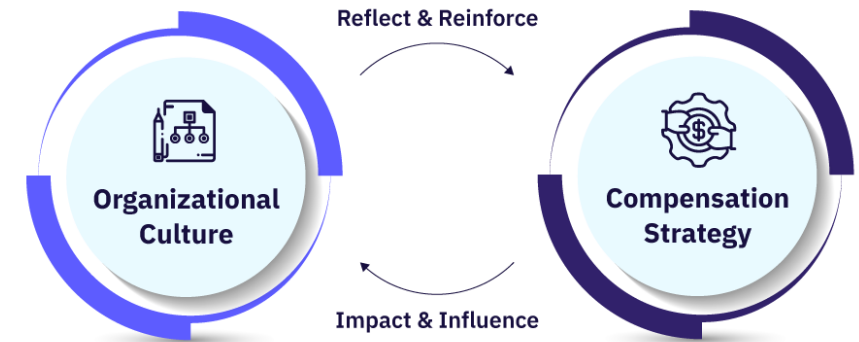


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- ▶ Public appreciation also work as reward because employees feel confident and motivated in front of others.

Culture-Based Compensation Strategy

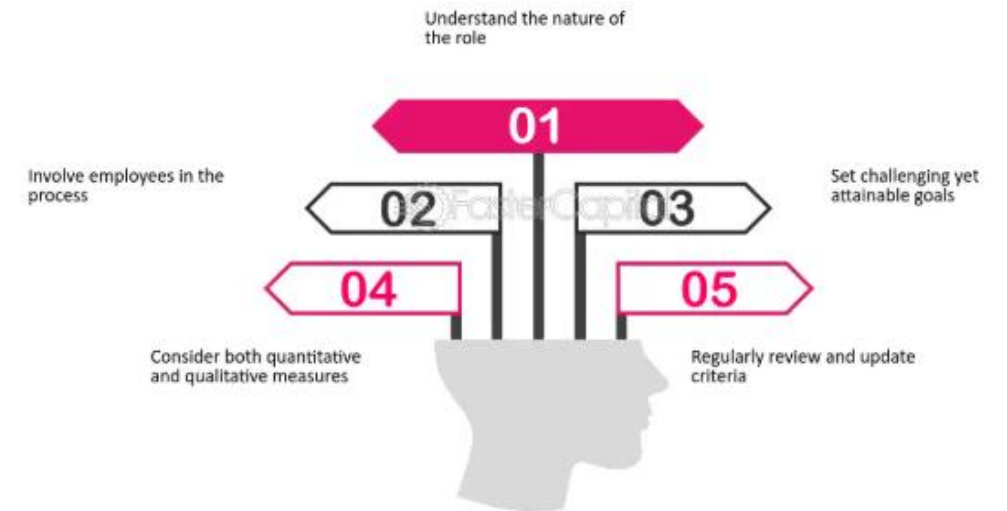


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Recommendations and Solutions

- **Accelerated review of roles-** NHS can implement a systematic review of their Band 4 nursing roles, as the approach will help in ensuring to have pay reflect on actual responsibilities and even addressing all hidden higher work level.

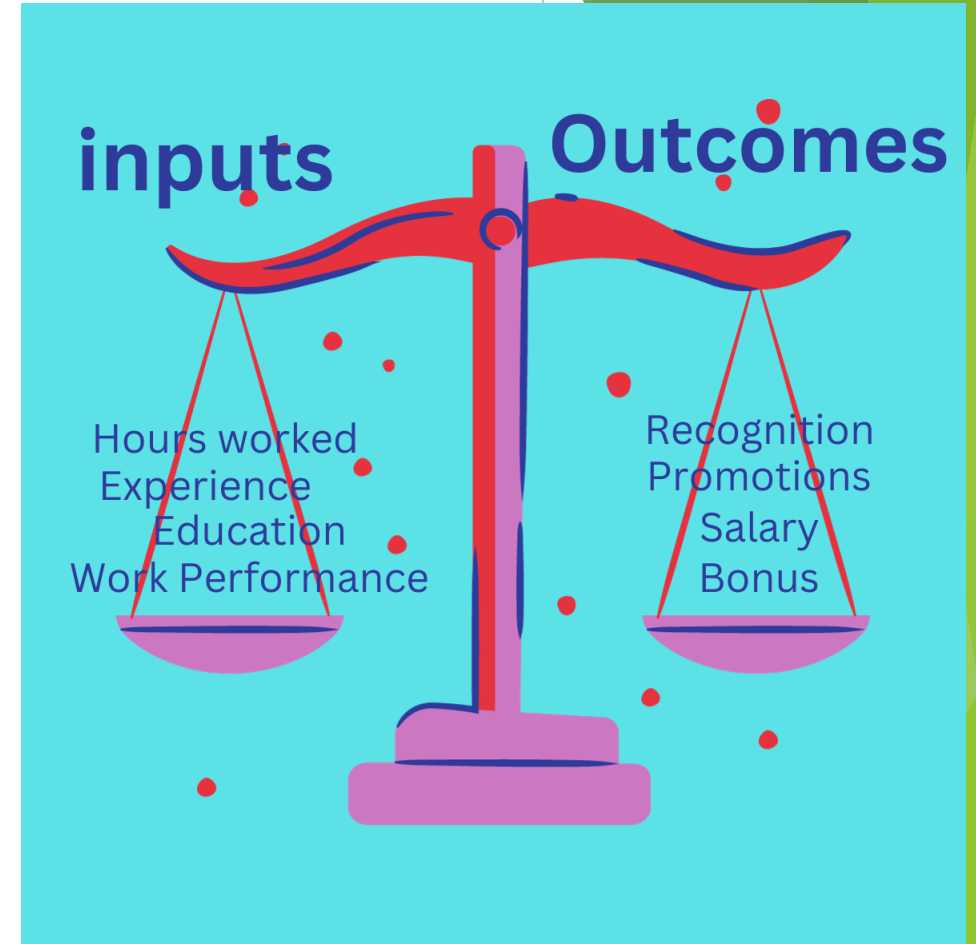
Designing Effective Performance Criteria for Different Roles and Departments



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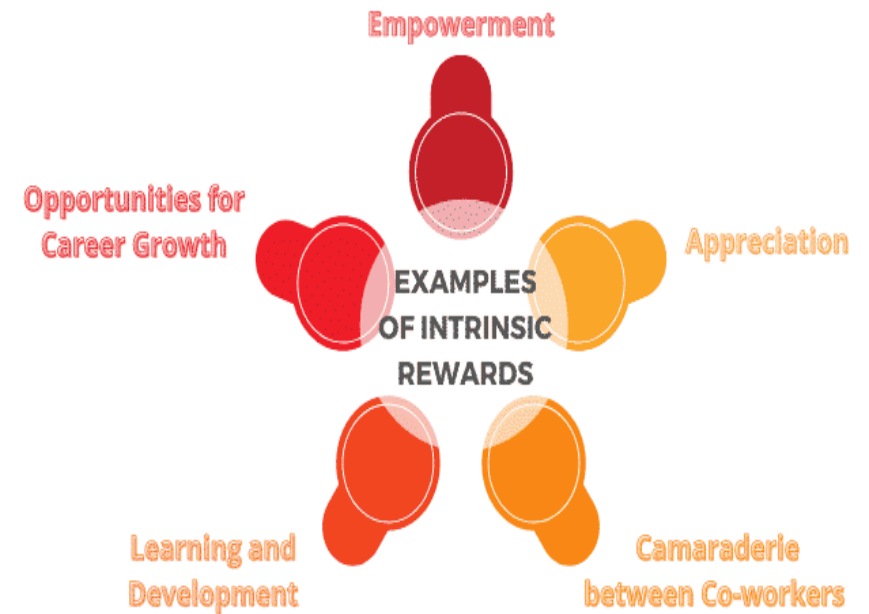
- ▶ HRM Theory help to manage employees and their different components.



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Total intrinsic rewards and statements

- ▶ for overcoming the challenges, NHS can increase transparency using total reward system, as it will help in communicating to have full value of provided benefits beyond just having a salary.



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AMO theory

- ▶ help to enhance employees performance thorough high motivation and engagement.



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HR Adaptations

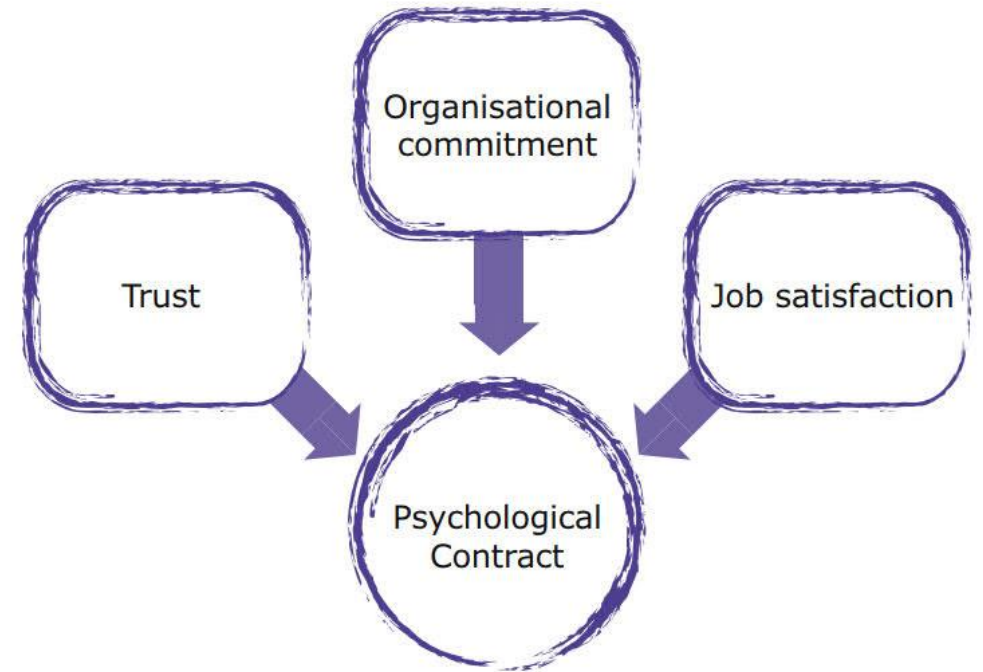
- - The HRM can include having implementation of a AI enabled as well as flexible tool which will provide employees with having more control on their working shifts, as the approach will eventually help in reducing employee turnover and enhanced work life balance.



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Psychological Contract Theory

- HRM Theory- The **Psychological Contract Theory** will help in defining all the unformal obligation present among employee and employer. The approach will help in leading towards higher commitment, trust as well as performance of employee. For employer it help in maintaining transparent communication for long term commitment (Hayes, and Keyser, 2022).



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CONCLUSION

- ▶ This presentation has concluded that compensation and rewards is important component to effectively manage employee's engagement and retention, and NHS need to focus on compensation and rewards to effectively manage its employees.

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THANK YOU!