Cost of Living and the Nursing Workforce in NHS Hospitals

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Research Questions

- Value of pay relative to local cost of living likely a key factor for nurse retention
  - National pay system
  - Little flexibility to respond to local labour market
  - Pay relatively more generous in more affordable areas

- We study how trusts and nurses react to cost of living increases.
  - What levers do trusts use to respond to increasing cost of living?
  - How do nurses adjust their labour supply when cost of living increases quickly?
  - How does this affect the retention of nurses?
Average earnings for nurses in bands five and six in 2018

Basic pay = more than three-quarters of total pay
  - determined by hours worked and national pay scales
Allowances increase nurses’ wages

They increase the variation between nurses in similar roles
Earnings and cost of living

Average annual earnings

Average house prices

Earnings vary across the country, but much less than house prices.
In the country as a whole, the average house cost 5.7 times the average nurse’s salary.

The ratio was also 5.7 in Barnstaple.

The highest ratio (>13) was observed in Brighton and the lowest in Hartlepool (2).
Allowances and premia

Allowances as a % of basic earnings

- Geographical allowance essentially limited to London and surroundings
- Shift pay varies geographically, even within the same area of work
- High level in the North West: high prevalence of local payments

Cost of Living and Nursing Labour Outcomes
Promotions

Average yearly promotion rate

- Average rate of promotion varies widely across areas
- High rates of promotions in many areas with high cost of living
How do trusts and nurses react?

- Outcomes:
  - earnings (basic, allowances, bank)
  - hours (non-bank only)
  - giving up bank work
  - promotions
  - leave NHS acute sector
  - switch trust

- More and less affordable areas differ in many other ways
- To isolate the effect of cost of living, focus on changes within areas
Method

- Use house prices as a proxy for cost of living
- Use median prices for terraced houses, but main results robust to alternatives
- Price growth in the Travel-to-Work Area where nurses live
- Condition on trust-wide changes in pay and national changes over time
Earnings increase despite a reduction in labour supply

Cost of Living and Nursing Labour Outcomes

Nurses more affected by house price increases work fewer hours in both bank and non-bank assignments.
More nurses leave the acute sector

At mean price growth: more than 1,300 nurses leaving NHS acute sector in a year

Most of the churn effect within the same TTWA
Younger nurses respond more strongly

Youngest nurses most likely to leave in response to house price increases

Nurses in their thirties reduce labour supply, younger and older groups increase it
Effects are largest where prices were already high

Nurses in high-cost areas more likely to receive higher allowances and faster promotions.
Summary

- Limited flexibility in the national pay system → large differences in generosity of nurse earnings relative to cost of living
- In response, trusts raise pay by speeding up promotions and increasing allowances
- Nurses reduce labour supply, driven by those in their thirties
- Despite these compensating actions, retention and churn worsen
- Effect of average increase in house prices: 1,300 nurses leaving NHS acute sector
- Findings suggest that more pay flexibility could improve retention