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Hospitals That Rely On Agency Nurses Have Worse Health Outcomes For Patients

Using agency nurses may be costly not just in terms of their hourly rates, but also in terms of the health outcomes for patients in hospitals that rely on these temporary workers. That is one of the findings of a recently published study of the impact of centralised pay setting for nurses on the performance of hospitals in England.

The research by economists at the Centre for Economic Performance and the Centre for Market and Public Organisation finds that hospitals that rely a lot on agency nurses tend to have much worse health outcomes for patients – for example, higher death rates from heart attacks and a higher incidence of the MRSA superbug.

Professor John Van Reenen, director of the Centre for Economic Performance said:

‘We find that the reliance on agency nurses is particularly strong in London and the South East where nurses’ wages do not reflect the real cost of living. These areas also tend to have more problems with hospital quality – as the recent survey of maternity wards showed.’

‘It's not so much that agency nurses are bad, but rather because they are less experienced with the hospital they are assigned to than permanent staff and move around different wards and trusts.’

Nurses’ pay in England is set centrally with little local variation. This means that hospitals in high cost areas like London and the South East struggle to recruit and retain staff. The research finds that as a consequence, they treat fewer patients and have higher fatality rates among patients admitted with emergency heart attacks.

The study by Professors Carol Propper and John Van Reenen finds that these effects are not trivial: the results suggest that a 10% increase in the gap between the wages paid to NHS nurses and those paid to women working in the private sector locally raises the fatality rate among people admitted with a heart attack by 5%.

Centralised pay setting happens in many public sector labour markets like health, teaching and the police. People often worry about the minimum wage pricing people out of jobs. But when pay in a sector is set to be almost the same across the country, it effectively imposes a maximum wage on people living in parts of the South East where labour markets outside the sector are strong.

Nowhere is centralised pay setting more important than in the NHS. More than a quarter of a million nurses in England have their pay set by a single pay review body. The process allows some local flexibility, but in practice the gap between the wages paid to a nurse in Newcastle and one in London is small compared with the comparable pay gap between women who are not nurses.

The research by Professors Propper and Van Reenen looks at how centralised pay setting for nurses in the NHS affects hospital performance by tracking changes in the outside wage and changes in performance in over 100 English hospital trusts over a six-year period.

Common sense would say that hospitals located in places where outside opportunities are better are going to struggle to recruit, retain and motivate staff. This is exactly what the study finds: in areas like London where the outside labour market is strong – where the wages of nurses are lowest compared
with their non-nurse counterparts – nurse vacancy rates are higher and fewer qualified nurses work in the NHS.

But these staffing problems are not confined to the human resources department. More worryingly, they feed into a lower quality of service provision and poorer outcomes for patients. Hospitals in areas where the outside labour market is strong have lower volumes of activity relative to their staffing levels.

None of these effects are present in firms operating in the private sector. Nor do they seem to arise because hospitals in high cost areas face greater financial problems or have patients who are sicker – in fact, patients in many high external wage areas generally have better health than those in low external wage areas.

One key problem is that hospitals that find it difficult to recruit permanent staff rely more on temporary agency staff. These nurses can be paid at a higher rate to get around the pay regulation. But they often tend to have less experience and training, and will not know the hospital as well as someone on a permanent contract.

The study uses data from 1995 to 2002 and there have been some relaxations in the rules since then with more recruitment bonuses and cost of living allowances. But it is still the case that public sector workers are taking a much bigger effective pay cut compared with similarly skilled workers in lower cost areas.

ENDS

Notes for editors:
‘Can Pay Regulation Kill? Panel Data Evidence on the Effect of Labour Markets on Hospital Performance’ by Emma Hall, Carol Propper and John Van Reenen was published on 22 January 2008.

The research report appears in the discussion paper series of the Centre for Economic Performance (downloadable at http://cep.lse.ac.uk/pubs/download/dp0843.pdf) and the Centre for Market and Public Organisation (downloadable at http://www.bris.ac.uk/Depts/CMPO/workingpapers/wp184.pdf)

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