

## Unhealthy Outlook: Part One

Kayleigh Murray, September 2019

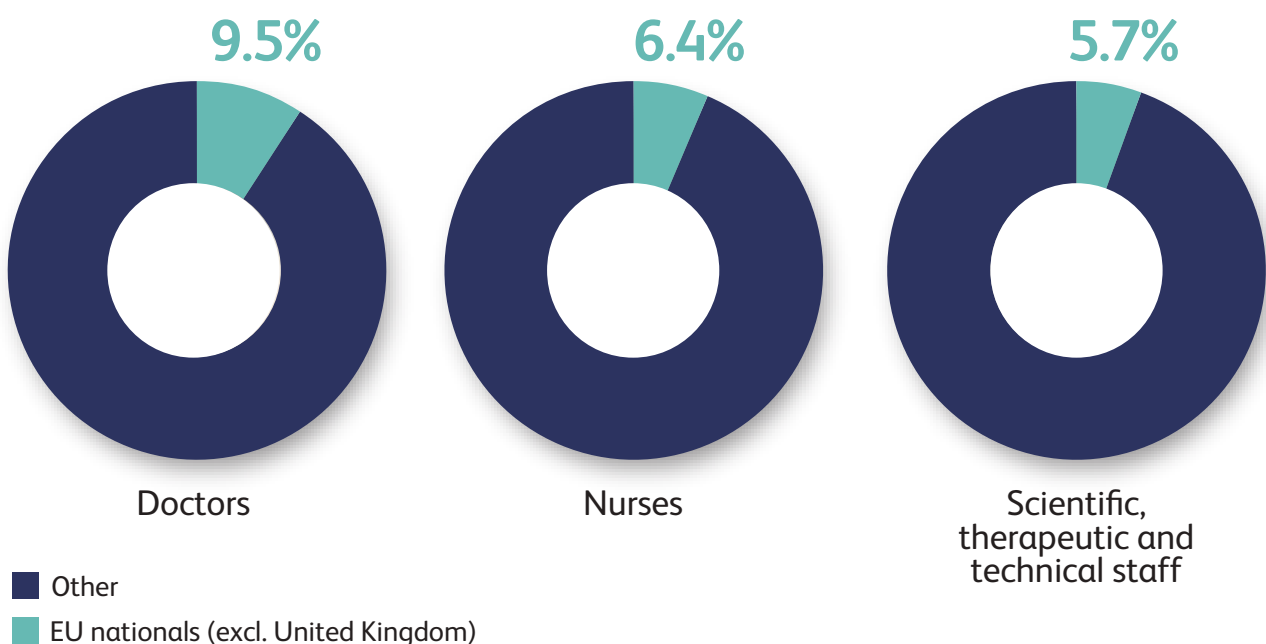
In the first article of a four-part series, IBISWorld assesses how the UK's exit from the European Union will affect staffing and wages in the health-care sector.

The health-care industries are highly labour-intensive, with a large proportion of workers originating from the European Union. Wages absorb over half of the revenue generated in the sector, indicating the importance of a strong supply of skilled staff. Though the withdrawal agreement provides reciprocal arrangements and mutual recognition of professional qualifications up to 2020, no provisions for health-care workers have been made in the backstop or

political declaration on the future relationship between the United Kingdom and the European Union. Given that the health-care industries are fairly reliant on EU workers, with the latest available government statistics indicating that approximately 5.5% of NHS staff in England originate from other EU nations, the sector faces considerable uncertainty over the future supply of labour following the UK's exit from the European Union.

### Staff split

Nationals of other EU countries in England's hospitals and community health services



SOURCE: HOUSE OF COMMONS LIBRARY

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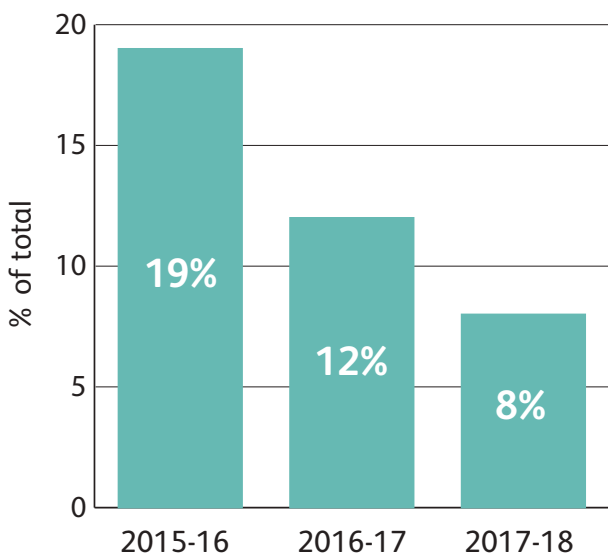
## Parting ways

A large share of individuals working in the sector are European, particularly for operators in London and the South East of England. However, uncertainty over future working rights and an unfavourable exchange rate following the EU referendum in 2016 has made the United Kingdom a less attractive prospect for European staff, which has driven down the number of EU nationals working in the sector. For example, government statistics indicate that in 2015-16, 19% of nurses joining the NHS workforce were EU nationals, but this figure had more than halved to 7.6% in 2018-19. Similarly, the proportion of nurses originating from the European Union opting to leave the NHS has risen from 9% in 2015-16 to 11.8% in 2017-18, while the Nursing and Midwifery Council claims that the number of EU-national nurses coming to work in the United Kingdom fell by 87% between 2016-17 and 2017-18. With the result of the referendum already having prompted troubles for labour supply, the loss of freedom of movement could heavily affect the health-care sector following the UK's exit from the European Union. Without freedom of movement, EU nationals will be subject to the same skilled worker immigration requirements that non-EU nationals face. This is expected to deter many EU citizens from working in the United Kingdom, with nursing positions in particular set to be threatened by skill requirements for immigrant workers.

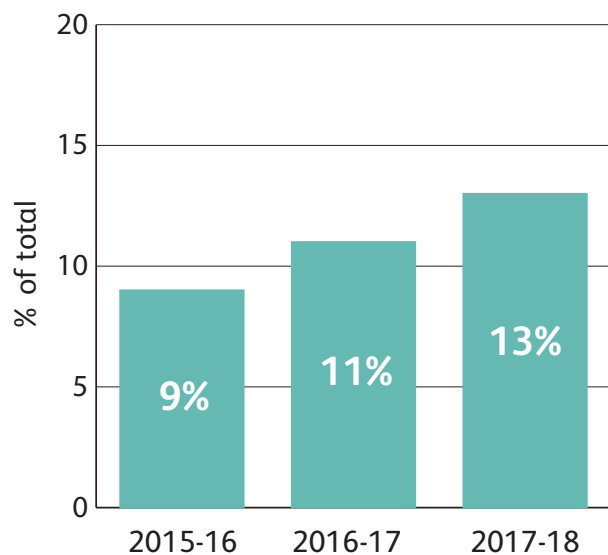
## Staff shortages

The General Medical Practices industry is anticipated to face staffing difficulties in the future. As of May 2019, the ratio of GPs to patients had been falling for four consecutive years, with the ratio dropping most sharply in England. Currently, there are 60 GPs per 100,000 people, compared with 64.9 per 100,000 five years previously, according to analysis from Nuffield Trust. This means that the average doctor now has 125 more patients to look after than they did in 2014. Contributing to this trend, the proportion of GPs opting to take early retirement has increased, with the Royal College of General Practitioners claiming that the average age of retirement is 59. The same institution states that 17% of the GP workforce is aged over 55. Therefore, the General Medical Practices industry could face a significant shortage of workers in the next five years, as these workers will reach the average age of retirement and are therefore likely to leave the workforce. Recognising this, NHS England has introduced the International GP Recruitment Programme, which is aimed at incentivising doctors from Australia and the European Economic Area to work in England. The programme offers support in helping applicants reach the required standard of English, allows applicants to choose where in England they will relocate to, and provides them with a relocation package. Despite the programme's implementation, a shortage of workers remains, particularly as the United Kingdom remains an unattractive location for overseas doctors to move to, as the low value of the pound has made wages relatively low in their domestic currencies.

EU national nurses joining the NHS



EU national nurses leaving the NHS



SOURCE: HOUSE OF COMMONS LIBRARY

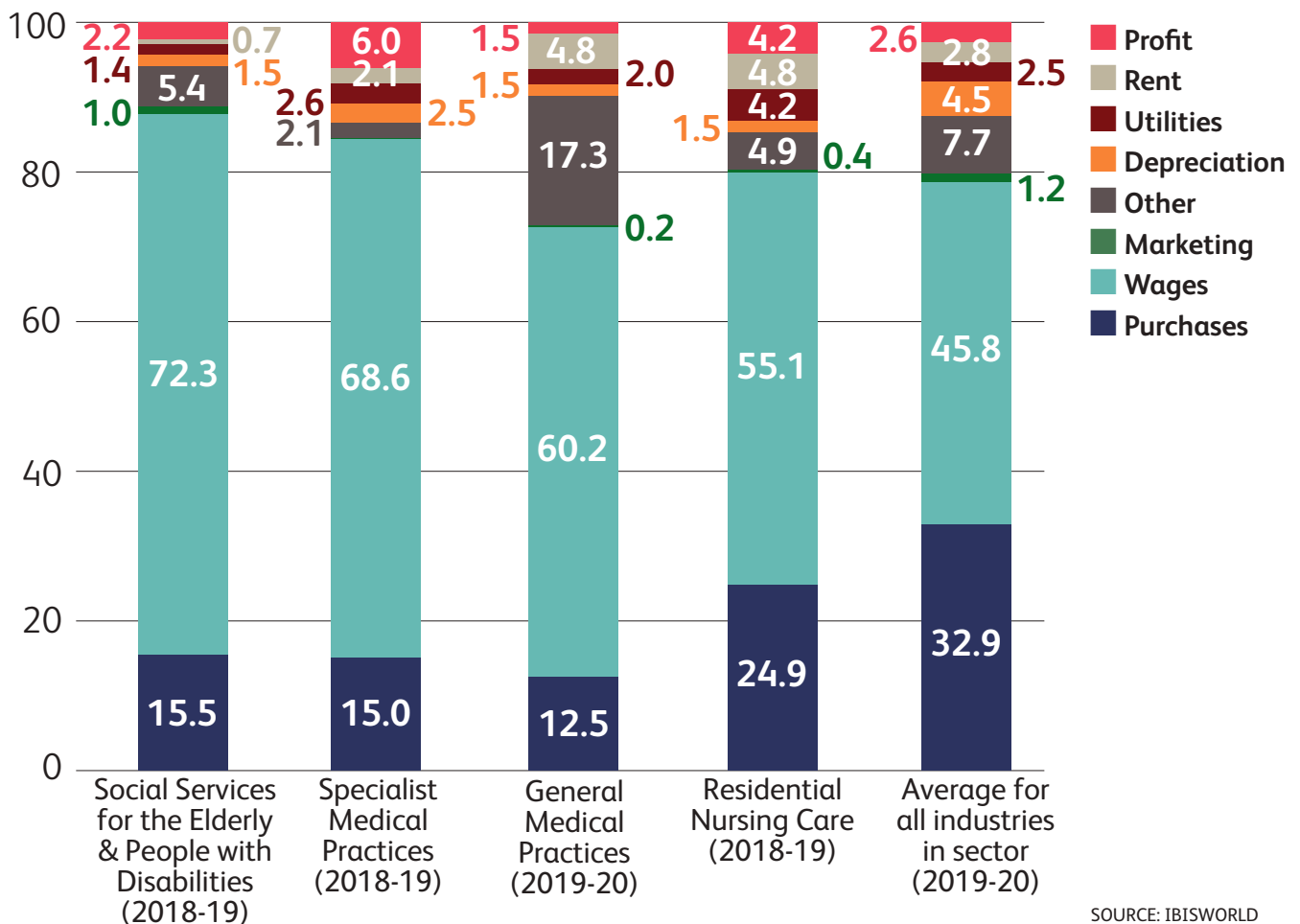
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## Increasing costs

A restricted supply of workers has the potential to push up health-care operators' wage costs in the coming years. On average, wages absorb an estimated 54.1% of revenue in the health-care sector. This figure is significantly higher in the Social Services for the Elderly and People with Disabilities industry, at 72.3% of revenue. A report on future migration patterns by the independent Migration Advisory Committee, published in 2018, said that approximately 5.9% of social-care

staff were from the European Union in 2017. If a restrictive migration policy were to limit the movement of these workers to the United Kingdom, the industry could face staffing shortages. In turn, this could lead to higher wage costs, as existing workers would be better able to negotiate higher salaries. Most industries in the sector operate on extremely narrow margins, with profit accounting for only 1.1% of industry revenue in the Hospitals industry, and higher wage costs could push margins down even further in the coming years.

Average cost structure in for industries in the health-care sector



SOURCE: IBISWORLD

## IBISWorld Industry reports used in this special report:

- Q86.101 Hospitals in the UK
- Q86.210 General Medical Practices in the UK
- Q86.220 Specialist Medical Practices in the UK
- Q87.100 Residential Nursing Care in the UK
- Q88.100 Social Services for the Elderly and People with Disabilities in the UK

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