Centralisation kills! [1]

Written by **Tim Worstall** [2] | Tuesday 22 January 2008

Centralisation kills is the message of a new paper (should be here [3] by the time you read this) from the Centre for Economic Performance. Centralisation, in this sense, meaning the setting of standard national pay rates.

What the authors did was look at the quality and productivity of nursing across the country, this being measured by the percentage of those admitted to hospital after a heart attack (AMI) who died in the subsequent 30 days. As we're all told so often of the connection between (relative) poverty and bad health we would expect the rates to be higher in poor areas. Quite the contrary: the richer the area surrounding the hospital the worse the survival rate. The reason for this is that nurses' wages are set centrally, to be the same (with very little geographic variation) right across the country. However, wages in general are not the same across the country:

> *Pay for nurses and physicians in NHS hospitals, which provide almost all hospital care in the UK, is set by a central review body that sets pay scales in which there is limited regional variation. The variation that exists does not fully reflect the wages differentials in the external labor markets in which the staff are employed. Regional pay differences are considerable in the UK. For example, female white-collar wages in North East England are about 60 percent lower than in Inner London and these persist after controlling for human capital characteristics and other factors.*

It isn't that wages are too high in low wage areas, but that they are too low for nurses in high wage areas. This leads to both a shortage of people willing to do the job itself and hospitals relying upon agency staff who are not constrained by the national pay scale: but agency staff are, by the very nature of their shift by shift employment, unlikely to know the systems and hospitals as well as permanent. The end effect is:

> *A 10 percent increase in the outside wage isassociated with a 4 percent to 8 percent increase in AMI death rates.*

That is, where hospitals cannot pay the going rate for trained staff because of the national pay setting, people die. All in the name of equality no doubt, for a job's worth the same amount of pay where ever it is to some people. The only solution to this is to abolish such national pay rates and allow local employers to pay what they need to attract the staff they desire.

All of which rather puts into perspective the current wrangles over national bargaining for police pay, other public sector workers, even the negotiations with civil servants and doctors. We shouldn't be having such national problems because we shouldn't be having such national negotiations in the first place. For centralisation of pay bargaining kills people.

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