

Can wage regulation be deadly?

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A study forthcoming in the *Journal of Political Economy* suggests that government regulation of nurses' pay leads to higher death rates in U.K. hospitals.

The U.K.'s National Health Service (NHS), which is responsible for most of the nation's health care, sets wages for nurses and other health professionals on a national scale. These regulated wages are essentially flat throughout the country, despite the fact that wages for private sector jobs vary widely from region to region. The study finds that in places where private sector wages are higher, death rates for [heart attack](#) victims admitted to emergency departments are higher.

The finding suggests that in places where private sector pay is better, it is difficult for NHS hospitals "to attract and retain skilled workers and this will lead to lower quality service," write the study's authors, Carol Propper of the University of Bristol and John Van Reenen of the Centre for Economic Performance at the London School of Economics.

On average, a 10 percent increase in the private sector wages is associated with a 7 percent increase in heart attack death rates, the study found. Heart attack [death rates](#) are a common measure of hospital quality.

The research suggests that the most skilled nurses in high-wage areas flee the NHS hospitals to work in health sectors where wages are not regulated, such as nursing homes. Productivity levels in nursing homes are significantly better in areas where private sector wages are higher,

the study found.

The researchers used data from 1997 to 2006 on the population of 209 short term general hospitals across England.

"Publicly run healthcare markets would be wise to relax the regulatory systems and allow local wages to reflect local conditions as they do in the [private sector](#)," the researchers conclude. "According to our analysis such deregulation would lead to higher quality public services and fewer deaths."

"As the U.S. government becomes more involved in healthcare, this is a lesson worth heeding," Van Reenen said.

More information: Carol Propper and John Van Reenen, "Can Pay Regulation Kill? Panel Data Evidence on the Effect of Labor Markets on Hospital Performance." *Journal of Political Economy* 118:2

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