

Analysis of the National Health Service in the United Kingdom from the Aspect of the Economy

Zhiyi Liu^{1,a,*}, Guangyan Ma^{2,b}

¹*Gordonstoun School, Elgin, IV30 5RF, The United Kingdom*

²*Institute of International Education, Xinjiang Agricultural University, Urumqi, 830000, China*

a. Liuz8553@gordonstoun.org.uk, b. MaGuangyan0012@163.com

**corresponding author*

Abstract: The National Healthcare System (NHS) is globally recognized as one of the most significant healthcare systems, with its latest remarkable representation during COVID-19. The NHS must achieve sustainable growth to promote British healthcare levels and ensure people's safety. On the other hand, the NHS also provides a wide range of employment opportunities, particularly in most local towns and communities, and promotes the long-term unemployed back to the labor market, which leads to significant help in reducing the unemployment rate and promoting economic growth. However, the NHS still faces challenges, such as financial budgets and low payments to medical staff. This paper elaborates on the economic benefits to society, the relationship between the NHS and the government's spending, budget resources and distribution situations, reduction of unemployment rate due to NHS, potential challenges, and future developments that the NHS may face, highlighting its pivotal role in the nation's overall health and well-being.

Keywords: National Healthcare System, the United Kingdom, government's spending, economic growth, salary policy

1. Introduction

The National Health Service (NHS) is the country's leading healthcare provider, and it is funded through various channels to ensure its sustainability and effectiveness. The United Kingdom has always been committed to providing every citizen access to healthcare services, especially during the ongoing Covid-19 pandemic. As shown in Figure 1, NHS has developed along with many critical issues since the end of World War II. The paper analyzes the funding sources of NHS and how it works for economic growth in the UK.

1946	The National health Service Act
1948	NHS begins, July 5th
1967	GP Charter
1974	Major reorganisation: "Area" tier created (Region, Area, District). Public health responsibilities transferred from Local Government to NHS
1976	RAWP begins - lasted until 1991 (RAWP applied mortality data to weighted regional populations to obtain a fair-share funding target)
1982	Area tier abolished
1984	General management introduced
1987	New payment systems for GPs to encourage more health promotion/ prevention activities
1988	Major review of the role of public health medicine
1989	"Working for Patients" describes major reforms to introduce an internal market for UK health care. "Caring for Patients" promotes community-based care
1991	Implementation of 'Working for Patient' reforms begins. "Patient's Charter" issued. "Health of the Nation" published
1992	Tomlinson Report on health care in London
1996	DHAs and FHSAs merge formally; Regional Health Authorities abolished
1998	"The new NHS: Modern-Dependable" outlines proposals for further reforms "A First Class Service: Quality in the new NHS" published, outlining a framework for improving the quality of care provided
1999	"Saving Lives; Our Healthier Nation" white paper published, the new national strategy for health.

Figure 1: Critical dates in NHS [1].

2. Capital and Finance Situation

To gain a comprehensive understanding of the NHS, it is crucial to be aware of its funding sources. Figure 2 presents the spending of NHS. The primary source of revenue for the government-funded NHS is through taxation. For the financial year of 2021/22, a significant portion of the day-to-day income was allocated to NHS provider staff costs, procurement, and primary care. These expenditures were based on the total government expenditure on the Department of National Health and Social Care (DHSC), with most of the DHSC budget allocated to NHS England. For the current financial year (2023/24), a substantial 85% of the budget has been directly assigned to the NHS, with funding set aside for Health Education England [2].

NHS England spending

NHS England resource (day-to-day) spending, excluding depreciation (real terms in 2022/23 prices)

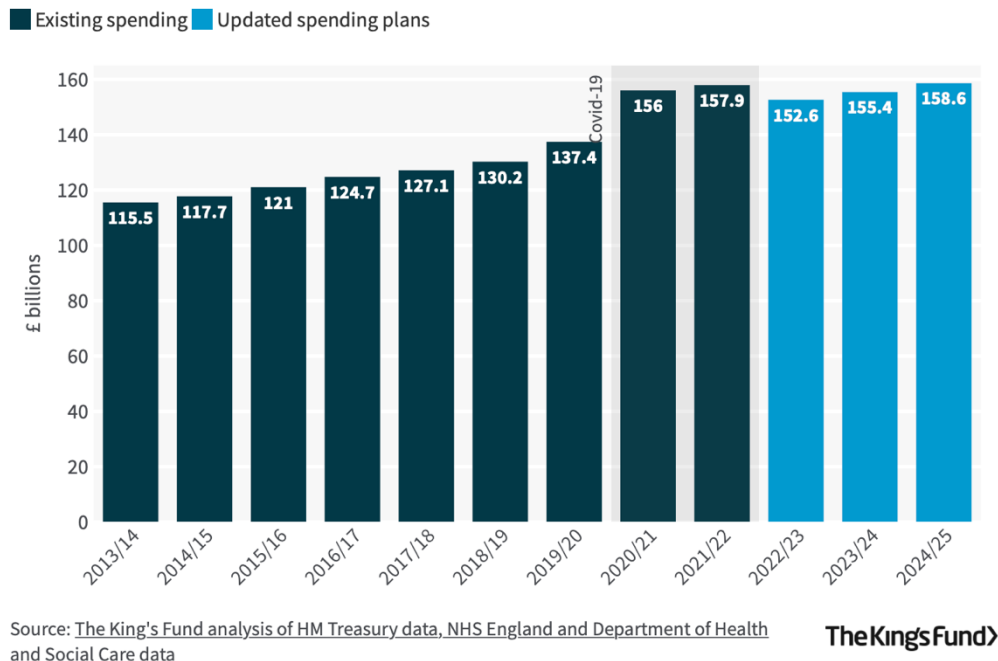


Figure 2: NHS England spending [3].

One of the primary means of funding the NHS is through taxation. The government levies taxes on the citizens, and the revenue generated is used to support the NHS's expenditures. This funding mechanism ensures that every individual contributes to the healthcare system and is a fair way of financing it.

Another means of funding the NHS is through National Insurance contributions. These contributions are mandatory payments individuals and employers make to support the social benefits system, including healthcare. The government uses these contributions to provide healthcare services to the citizens and ensure that the healthcare system is adequately resourced. Sometimes, patients may be required to pay for their prescribed medicine, depending on their circumstances, including special populations. Prescription charges ensure that the healthcare system is not overburdened with the cost of providing medication to patients.

Finally, non-British residents who require treatment and related services when accessing the NHS as overseas visitors may be required to pay fees. These charges ensure that the healthcare system is not burdened with the cost of providing healthcare services to non-residents.

Overall, the UK government has put in place various funding mechanisms to ensure that the NHS is adequately resourced and able to provide quality healthcare services to all citizens, regardless of their financial status or background.

3. How Does Increasing Government Spending Lead to Economic Growth?

As the world's fifth biggest employer, the increased spending on NHS via DHSC creates more work jobs due to the expanded workforce [4]. Consequently, it makes the condition to reduce the unemployment rate in the UK. As Britain's most extensive health care system required more

employees than others, [4] said, “A 1 percent reduction in the proportion of unemployment due to long-term sickness is associated with an additional 180,000 workers joining the workforce.” So, what’s in reality is that, in most areas, significant employers have the heavy responsibility to create more job opportunities.

The exciting thing is that the NHS decreased the unemployment rate by creating more jobs and promoting the general life security level for the British. So, it improves health and is a critical factor for employees and job seekers. Once they have a good body, it will also help them find a job and promote the productivity of existing employees. “Every pound invested in the NHS results in around 4 pounds back to the economic growth.” Spending on health leads to a decrease in the rate of sickness in the long run, which leads to a higher employment rate. The consequence of this investment often led to an even greater back to economic growth and four times the productivity of society [4].

Therefore, the authors think this is the primary reason it’s the core of the government’s spending and could create more benefits than the care system itself. So, Political leaders should consider the significance of the NHS’s contribution to society now that the UK is facing challenges in the primary labor market and economic growth.

The question mentioned above may lead to another issue brought by the funding of NHS, as the most significant financing component is Taxation, which is the taxpayer’s citizen’s drive. So, in general, the higher the budget needed, the higher the tax rate. Here, it assumes that the government’s spending has not changed in every sector. If there is a need for a solution that is not required to increase the tax rate, the government could also decide to cut the spending on other sectors, so the government faces two options [5]. “Survey 2019 of nearly 2,000 people shows that more than half the people favor an increase in taxes to maintain current levels of NHS care, up from 64% in May 2017 and 59% in March 2015.”

It could be seen that the citizens wish the government to use their tax on health care sectors, and there is a trend of increasing over the years. Therefore, the government has raised the tax to help fund the NHS. However, this may not be fair for the people who disagree with rising taxes. On the opposite, they recon cut other sectors to maintain the funding level of NHS more beneficially.

4. The Role of “Anchor Institution” and Its Relations with Local Communities

Firstly, it is necessary to know the concept of an anchor institution. An anchor institution, as defined by the UK Commission for Employment and Skills, is an organization that, in addition to its primary purpose, strategically contributes to the local economy and holds a significant and acknowledged role within a specific community or region [6]. carry out that there are three characteristics of anchor institutions: Certain features define anchor institutions. Firstly, they are deeply rooted in the geographic area where they operate, with investments, missions, and relationships with customers and employees tying them to the community. Secondly, these institutions are potentially to be the employers and possess significant rates of consumption, making their impact on the local economy substantial. Lastly, anchor institutions are typically non-profit organizations, which can be more committed to serving more local communities compared to private firms that may relocate. However, some for-profit organizations also serve as anchors, and the Heal-care Foundation has researched how the NHS collectively fulfills this role.

The NHS has transformed into an “Anchor institution”, forging closer ties with the local community. In 2020, an announcement from the NHS Confederation and the Independent Commission on the university was carried out for a partnership between NHS and relative universities. This re-focus places greater importance on aligning professional career paths, recruitment practices, training programs, and upskilling initiatives within the healthcare sector. Furthermore, it prioritizes the reskilling of the health and care workforce and actively addresses local job vacancies, with an emphasis on offering opportunities to individuals currently unemployed. The scheme also includes

targeted recruitment efforts, with the potential to benefit a diverse range of groups, including teenagers, the minority ethnic community, and those seeking to re-enter the labor market.

Local communities' economic recovery is greatly aided by the NHS by reducing long- and short-term unemployment and health inequality. This, in turn, leads to a decrease in wealth inequality as health is a fundamental aspect of work. The partnership between firms and the NHS increases economic activity, attracting investment and creating high-value jobs. It also improves the local health level and aids in economic recovery post-Covid-19. As a major employer in most UK localities, the NHS creates significant job opportunities, especially for firms in its supply chains. The development of the NHS as an anchor institution is crucial, recognizing the relationship between "wealth and health". Additionally, employees' salaries lead to a multiplier effect, as higher wages lead to increased spending and consumption; ultimately, this scheme could benefit various groups and contribute to economic development.

5. Main Dilemma of NHS

British NHS expenditures mainly come from the financial budget, and part of the budget funds are social security taxes paid by individuals (allocated. Social Security taxes, also known as social insurance taxes or social security contributions, are collected by the state to raise funds for the social security system. A tax or payment in the form of taxation that requires funds is the primary funding source for implementing the modern social security system. Since the NHS expenditures come from the financial budget, the proportion of self-raised funds is seriously insufficient, and the whereabouts of each item of funds have been clearly defined. This makes the staff face substantial financial pressure, and they must be cautious in any link to avoid excessive expenditure. However, the existing capital budget makes it difficult to cope with people's demand for a higher quality of life, the upgrading of medical equipment and technology, and the development and supply of drugs. Simply put, the shortage of funds has restricted the development of the NHS. Since 2010, the NHS has experienced a 10-year funding crunch, resulting in insufficient investment in the maintenance of medical equipment, a reduction in the number of sickbeds, and inadequate medical devices. There are also labor shortages across the system. Reductions in social security budgets and stalled reforms have left hospital discharges high. This means that, due to a lack of capacity for social care and other community services, People who are technically fit to be discharged often remain stuck in the hospital [7].

In addition, due to the sudden increase in the medical pressure on the NHS due to the COVID-19 epidemic, the workers in the medical system failed to reach an agreement on labor and related benefits, which triggered a general strike of medical workers and led to a large-scale shutdown of the medical system. Up to 100,000 care workers across the UK took to the streets on December 15, 2022. The government authorities have failed to reach an agreement with medical workers on salary issues, and the authorities have a tough attitude and are unwilling to change the status quo. The majority of England's NHS trusts - 102 out of 215 - reached the 50% turnout threshold needed to strike on the first day, and The Nurses' Fair Pay campaign calls for a 5% wage increase, higher than inflation (as measured by the Retail Price Index (RPI)), which means the current wage increase is 17.6%. The government said it would cost around £9bn as the extra funding would also need to cover all staff contracted to the change program, which includes all NHS staff except doctors, dentists, and senior executives [8]. This strike is ongoing, so the NHS faces a severe staff shortage.

The change in salary policy is also a massive challenge for the NHS system. The pressure on salary will directly lead to financial and financial stress because NHS hospitals spend about two-thirds of their budget on staff. Therefore, staff costs have been focused on limiting costs and improving efficiency. Administrative staff savings have been a concern - significantly fewer people working on these jobs in 2017 than in 2010. NHS pay was held down for seven years between 2011 and 2013 as

part of the government's policy to curb public sector pay as part of a broader public sector pay policy. However, the pay policy changed in 2017, and the original limit was broken. Over the past seven years, NHS wages have not kept pace with inflation (compared with the inflationary Consumer Price Index (CPI), down about 6%). But this is a period of low inflation. Since the 2016 Brexit referendum, the fall in the pound's value has led to higher inflation, further eroding the value of NHS pay. Now that the government has announced the removal of the NHS wage cap, unions representing the workforce covered by the "reform agenda" (essentially all non-medical workers) have submitted a wage demand that will be based on the retail price index for inflation (RPI) and a flat rate of £800 to raise wages to tackle the erosion of actual earnings in recent years. Every one percentage point increase in NHS wages beyond the 1% planned under the wage cap policy would add around £500m annually to the NHS wage bill [9].

6. The Future Direction of Reform

The future development direction of the NHS should be from the reform of the salary system. From the recent general strike, it can be seen that most of the doctors and medical workers are opposed to large-scale salary cuts rather than demanding higher salaries. The COVID-19 epidemic's impact has affected most medical workers' wages. They face higher work pressure, but their wages are lower than before. Therefore, it is rational to believe that the unfairness of pay is the direct factor leading to the strike.

The NHS needs a more attractive and more objective compensation assessment component or compensation assessment organization within the compensation framework. Doctors' and Dentists' Review Body (DDRB) is the current errand being checked on. When the Royal Commission set up the body in 1960, it pointed out how an autonomous pay audit handle ought to work and what benchmarks and frameworks ought to be utilized to degree pay. The Royal Commission said the pay review body must ensure that salaries are in line with "the cost of living, changes in earnings from other occupations and the quality and quantity of recruitment in all careers", but the government has dramatically interfered with this institution and even reduced medical workers' salaries [10]. Consequently, it has caused severe dissatisfaction among medical workers and even made them lose confidence in the entire NHS system. Therefore, if the independence and fairness of the existing salary review agency cannot be guaranteed, then the country needs another independent system. If there is no such reform, the stability of labor relations within the NHS system will no longer exist, and problems such as staff shortages and strikes will not be resolved entirely.

7. Conclusions

The paper aims to analyze NHS from an economic perspective by elaborating on the capital situation of NHS, including the budget resources and capital structure, therefore creating the possibility of future NHS development. The paper also analyzes the impact of the proportion of government spending on NHS, as well as an explanation of the relation between tax rate and government spending. One of the critical findings is that the NHS could reduce the unemployment rate by creating more job opportunities. As an Anchor Institution, NHS is closely connecting to local communities and seeking cooperation with university-related companies, which shows why NHS plays a significant role in many areas around Britain. On the other hand, increasing the standard of health care level could also create the basis for future employment, even reducing the unemployment rate. Lastly, we discussed the salary policy and employee warfare system dilemma. This is particularly highlighted during COVID-19 and leads to current issues. Overall, this study underscores the significance of understanding the economic underpinnings of the NHS, as it affects healthcare provision and has far-reaching implications for the broader economy, employment, and the well-being of healthcare

professionals and the population at large. The future of the NHS lies in the hands of policymakers, healthcare administrators, and stakeholders who can implement the necessary salary reforms to ensure its sustainability and continued positive impact on British society and economy and keep increasing the people's standard of living.

Authors Contribution

All the authors contributed equally, and their names were listed in alphabetical order.

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