

How could the economic impact of the NHS in the Black Country be increased?

The NHS is not often thought of as an economic actor. Yet, while its primary role is the creation of health, it also contributes to the wealth of local areas. The Black Country Sustainability and Transformation Partnership (STP) therefore commissioned ICF and the Strategy Unit to describe the NHS' contribution to the Black Country economy – and to consider ways in which this contribution might be increased. This is a summary of that work. All figures presented here are for the financial year 2014/15.

Expenditure

Annual NHS expenditure in the Black Country totalled around **£2 billion in 2014/15**. The majority of this (over £1 billion, 52%) was on employee benefits (wages, pensions, other benefits). The remainder was used to purchase goods and services.

Gross Value Added

Gross Value Added (GVA) is a measure of economic impact. Direct GVA from the NHS is the value of wages plus any operating surplus and is estimated to be **£1.1 billion**; further GVA is generated as money flows through the local economy, through 'multiplier effects'. These added a further **£457 million** of GVA. The direct GVA plus GVA generated through multiplier effects totalled **£1.5 billion** – equivalent to **7.9%** of total Black Country GVA.

Employment

The NHS directly employed nearly **29,000 people in 24,200 FTE** (full-time equivalent) jobs in the Black Country. An additional **4,400 FTE** jobs were directly funded as 'bank' staff, and a further **2,100** agency jobs were supported but employed by non-NHS organisations.

A total of **30,800 FTE** jobs were directly supported by NHS spending. This represents **6.3%** of the Black Country workforce. Approximately **21,000** of these roles were performed by Black Country residents. NHS wages are 26% higher than the average Black Country wage.

Indirect employment also resulted from NHS purchases of goods and services, and the spending of the wages paid by the NHS. This multiplier effect adds up to a further **10,000 FTE jobs**. Total employment (40,800 FTE) represents **8.3%** of the Black Country workforce.

Patient demographics

The resident population of the Black Country (1.2m persons) was estimated to have over **nine million contacts with the NHS** (GP appointments, outpatient appointments, day cases, inpatient admissions and Accident and Emergency episodes) in 2014/15. The vast majority of these contacts (96%) took place in the Black Country and over three quarters of contacts were estimated to take place in primary care. Some **44%** of NHS contacts were estimated to be for the non-working population.

Informal care

In the Black Country, 16% of the population provide informal care. The value of unpaid informal care in the Black Country in 2015 was estimated to be **£38 million per week** or £2 billion annually. **This is broadly similar in scale to expenditure by the NHS.**

Possible scenarios for increasing economic impact

Three scenarios were explored to illustrate how utilising NHS resources in a different way could boost economic output in the Black Country. The analysis was undertaken using partial data and simplifying assumptions: the aim was to illustrate not to prove. Results should therefore be taken as tentative broad indications, not precise predictions, of likely impacts.

Improving access and care closer to home

Patients who are employed can find it difficult to attend healthcare appointments for themselves or for those they care for, as they typically occur during the working day. The NHS could therefore offer services that are more convenient for people in employment by changing forms of access (e.g. increased use of telephone or video for GP consultations) or using more convenient locations (e.g. providing outpatient appointments in GP practices).

For investment of around **£1 million** this could make better use of NHS resources and also generate a benefit for the local economy of **£10 million**, as workers take less time absent from work to attend appointments.

Increasing support for people with common mental health problems

In the Black Country, around 92,000 people of working age have a mental health condition. Many of these are common conditions such as stress or anxiety. Using some of the resources available within the NHS and partner organisations, support could be provided to these individuals to support them to remain in employment (and reduce absence) and help to support other individuals back into work. A spend of around **£2 million supporting 20% of these people (18,500)** could lead to an **£8 million** increase in economic output through reduced absence and supporting people back to work. It could also reduce benefit payments by nearly **£1 million**.

Providing support for informal carers

The value of informal care provided in the Black Country was estimated to be over £2 billion in 2015. Some of this informal care is provided at the expense of other economic activity. Through better planning and support for informal carers, some carers could play a greater role in the labour market. An investment of **under £1 million** from the NHS and local partner organisations (for example local authorities), supporting 12,000 economically active carers could generate an economic benefit of over **£8 million**.

Summary

The NHS is the largest economic actor in the Black Country, responsible for £8 of every £100 of income and for 8 jobs in every 100 jobs in the workforce. Recognising this economic role could open up new conversations and a wider range of policy options. This analysis should particularly help the Black Country STP and inform the work of the West Midlands Combined Authority, Local Enterprise Partnerships, Local Authorities, the West Midlands Academic Health Science Network (and others).

The three modelled scenarios show different ways of providing NHS services without any departure from current policy that can benefit the local economy and its workforce. They introduce a new consideration for the way services are implemented which recognises their potential value to wider wealth-generation.

The three scenarios together generate annual economic benefits equivalent in scale to the £23m of government grant the Black Country Growth Deal programme receives.