

The Impact of the NHS Childcare Strategy in South West London 2005

Investing in Childcare Improves Working Lives

The South West London NHS childcare strategy continues to reduce staff stress, enhance the image of the NHS as a good employer, and improve staff morale. It also continues to increase the rate of return from maternity leave, reducing voluntary turnover and use of agency staff. Effects are particularly strong for staff who use new NHS childcare, childcare vouchers or salary sacrifice schemes.

The tax position in relation to employer assisted childcare support was transformed during 2005. The effect has been to enable employers to help staff to afford childcare through childcare voucher and salary sacrifice schemes at no cost to themselves, with some staff saving up to a third of their childcare costs in this way. Childcare voucher schemes were introduced in 12 out of the 13 NHS Trusts in South West London during 2004/05, and 197 staff were taking up this offer by the end of 2005.

The South West London Strategic Health Authority commissioned 4Children to look at the impact of the NHS childcare strategy on staff recruitment, retention, and improving working lives in South West London in 2004, and to review this Impact Analysis in 2005.

The South West London NHS childcare strategy has delivered over 154 new childcare places, with the assistance of seven whole time equivalent NHS childcare and carer co-ordinators. 4Children surveyed users of childcare vouchers and two new holiday playschemes, as well as a wider range of staff who had contacted NHS childcare and carer co-ordinators in South West London during 2005, to explore the impact on their working lives. In total 240 responses were received, including 28 from NHS staff who were using the two new playschemes developed with NHS childcare strategy funding, and 84 from NHS staff who were using childcare vouchers.

Investing in Childcare Saves Money

Savings across South West London resulting from NHS investment in childcare has the potential to save over £7 million in 2005.

The financial impact on the NHS nationally is likely to be significant, saving an estimated £377 million p.a.

The savings gained by improving recruitment and retention figures can be estimated based on turnover costs. Research suggests that turnover costs are equivalent to one year's salary, taking into account not only recruitment costs, but also interim cover, training, and the limited function of new recruits.

The 2005 survey of NHS staff using 2 of the new holiday playschemes found that:

- 100% said that NHS childcare support helped them to continue to work for the NHS, compared with 94% of users of new NHS childcare in 2004
- 100% said that NHS childcare support had helped to reduce stress (89% in 2004)
- 96% said that the childcare support had enhanced the image of the NHS as a good employer (86% in 2004)
- 93% said that NHS childcare support had improved staff morale (67% in 2004)
- 89% indicated that childcare information for NHS staff had got better (80% in 2004)
- 81% felt that information for staff who are carers had improved in the last year¹

¹ This question was not asked in 2004

Case study

At Kingston Hospital Trust and Kingston Primary Care Trust holiday playscheme, all of the 20 staff who responded to the survey said that NHS childcare support had helped them to continue to work for the NHS. The estimated annual salary for these staff, and therefore the turnover costs that could be said to have been saved, is over £600,000 p.a.

The savings to the Trusts can also be calculated by reference to reduction in voluntary turnover. At Kingston Primary Care Trust, voluntary turnover fell by 7% (from 24% to 17%) between 2003/04 and 2004/05, and at Kingston Hospital NHS Trust by 2% (from 16 to 14%). Assuming an average salary cost of £29,000 p.a. (based on the modal NHS salary band, plus on-costs), the reduction in voluntary turnover (retaining 52 staff at Kingston PCT and 50 staff at Kingston Hospital Trust in 2004/05) would save Kingston PCT £1,508,000 and Kingston Hospital NHS Trust £1,450,000 in 2005, based on cost of turnover equivalent to one year salary.

If 1% of the reduction in voluntary turnover were due to increased childcare support, the savings to Kingston Hospital Trust that could be attributed to that cause would be in the region of £725,000. Given the high percentage of staff who say that NHS childcare support helps them to continue to work for the NHS, such a saving does not seem unrealistic.

Even if turnover costs are estimated at just £7,000 per post (for advertising, short listing and interviewing) the savings due to childcare support would still amount to £350,000 (50 x £7,000) for Kingston Hospital NHS Trust in 2004/05, and £364,000 for Kingston PCT (52 x £7,000).

The financial impact of childcare support can also be estimated based on the overall percentage of staff who indicated that childcare support helps them to stay working for the NHS. The email/postal survey findings for staff across SW London indicated that 72% felt that NHS childcare support helped them to stay working for the NHS in 2005. The NHS estimates that 25% of staff have dependent children. Kingston PCT and Kingston Hospital NHS Trust have together 3250 staff; 25% have dependent children – 812 – and 72% of these – 585 – could be helped to stay working for the NHS as a consequence of NHS childcare support. Even if just the percentage (5%) who said at exit interviews for Kingston Hospital Trust that they left for childcare related reasons were retained as a direct consequence of the childcare support, the saving to the Trusts would be £848,250. This figure is based on retaining just under 1% of the workforce by providing childcare support.

Savings Across SW London

The same calculation for SW London as a whole would result in a saving of over £7 million p.a. (25% of staff with dependent children x 27,120 whole time equivalent staff x £29,000 modal salary x 72% x 5%) as a result of NHS childcare support.

Formula

Savings = Number of staff x % of staff with dependent children (25%)
x % saying childcare support helps them to stay in work (72%) x estimated % who leave for childcare related reasons (5%)
x average salary

Even if turnover costs are estimated at just £7,000 per post the saving would be £1,708,560.

The cost of employing the seven whole time equivalent childcare and carer co-ordinators employed by South West London NHS Trusts is less than £200,000 p.a. just under 3% of the estimated savings of £7 million (or just under 12% if savings are estimated at £1,708,560).

In addition, Trusts have made savings by introducing salary sacrifice schemes for nurseries and childcare vouchers. Epsom and St Helier University Hospital NHS Trust, for example, implemented a salary sacrifice scheme for their two in-house nurseries in 2004. The Trust has saved in excess of £40,000 in National Insurance and pension contributions, with 44 staff using the scheme.

Across South West London in excess of £92,500 has been saved on NI and pension contributions by the Trusts implementing childcare vouchers in 2005.

If the impact of the SW London childcare strategy reflects the national picture, the implications for the NHS are significant. The NHS is the biggest employer in Europe, with over 1.3 million staff. A reduction of just 1% in voluntary turnover rate as a result of the NHS childcare strategy (an additional 13,000 people retained) could save the NHS over £300 million p.a. (13,000 x £29,000 turnover cost, estimated at modal salary) in addition to the savings made from implementing salary sacrifice schemes, reducing stress and improving working lives.

The full report is available through the Trust/PCT Childcare and Carer Co-ordinator or HR departments. It is also on the South West London Strategic Health Authority web site www.swlha.nhs.uk and the 4Children web site: www.4children.org.uk