



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Australian Labor Party

Proposal No: C1100

Date Referred: 13/01/2022

Date Published: 20/03/2023

Proposal Title: Safe Staffing Levels for Nurses and Midwives

Cluster: Health

General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)			28,710	177,104	205,814
Depreciation					
Less: Offsets			6,000	36,000	42,000
Revenue					
Net Operating Balance:			(22,710)	(141,104)	(163,814)

Capital Expenditure					
Capital Offsets					
Net Capital Expenditure:					

Net Lending/(Borrowing):			(22,710)	(141,104)	(163,814)
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Total State Sector Impacts

Net Lending/(Borrowing):			(22,710)	(141,104)	(163,814)
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Notes and costing assumptions:

The policy proposes providing an additional \$175 million over the forward estimate for hiring 1,200 nurses and midwives to implement safe staffing levels. These nurses would be graduates, interstate hires, hires from other parallel sectors, and will also include retained nurses who otherwise would have left the hospital system.

This costing is based on an average nurse level of experience at Registered Nurse Year 5 (RN5), as per the policy. NSW Health advises the cost to provide 1,200 full-time equivalent (FTE) nurses and midwives at RN5 is \$164 million.

The PBO assumes that the additional nurses and midwives would be hired in the last two years of the forward estimates to follow an existing policy initiative already underway: In the 2022-23 State Budget, Budget Paper 1, the government announced \$4.5 billion to recruit an additional 10,148 full-time equivalent staff to hospitals, NSW Ambulance and health services across the State.

The Parliamentary Budget Office consulted NSW Health and NSW Treasury in preparation of this costing.

Notes and costing assumptions continued:

Key assumptions and methodology

- To hire 1,200 additional workers within the target funding envelope, 200 nurses and midwives will be hired in 2024-25 and 1,000 in 2025-26.
- The employee cost for a full-time Registered Nurse at Year 5 level is \$143,554 in 2024-25 and \$147,587 in 2025-26 (indexed according to the public sector wage policy of 2.5 per cent per annum in those years).
- Employee costs include superannuation, worker's compensation, ICT/hardware/training, annual leave expenses, leave loading, other leave requiring backfill, and rotating roster premiums.

Table 1: Breakdown of the recruitment

	2024-25 \$	2025-26 \$	Total
Cost per FTE (ex-offset)	143,554	147,587	
Offset per FTE	30,000	30,000	
Cost per FTE (including offset)	113,554	117,587	
New Recruits	200	1000	
Recruits from previous year		200	
Total recruits (cumulative)	200	1200	
Total wage costs (after offsets)	22,710,748	141,104,232	
Final funding			\$ 163,814,980

Risk and caveats

- The PBO expects that by hiring and retaining these extra nurses overtime payments and workforce attrition will be reduced in the existing nurse workforce, resulting in offsetting savings. NSW Health advised that the indicative saving would be \$42 million in total, or \$30,000 per nurse or midwife as a result of reduced overtime and the decreased use of contract staff.
- NSW Health advises that RN8 is the average level of experience in the current nurse and midwife workforce and the more appropriate basis for assessing the potential costs of employing additional staff.
- The cost saving associated with recruiting at an average RN5 level as opposed to RN8 is \$32.1 million in total, or \$22,829 per nurse or midwife (in 2024-25 dollars).
- NSW Health notes that if nurses were recruited at an average RN5 experience under this policy, this may compromise the safe staffing levels given a lack of appropriate senior staff support and supervision.
- NSW Health suggests targeting recruitment at the RN5 level rather than RN8 may reduce the pool of applicants from other states, territories and overseas.
- Spending up to the full \$175m funding limit specified in the policy would allow a number of new nurses to be recruited at higher grades, reducing the risks identified by NSW Health.
- The cost per nurse and midwife has been rounded up to the nearest dollar and the total funding has been rounded up to the nearest thousand.