

Working in Health:

Financing and Managing the Public Sector Health Workforce¹

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The health workforce plays a key role in increasing access to health services for the poor in developing countries. Recent evidence has demonstrated an important link between staffing levels and both service delivery and health outcomes. Various global and country level estimates have also shown that current staffing levels in developing countries – particularly in sub-Saharan Africa and South Asia – are often well below those required to deliver essential health services to the population.

Several factors potentially limit increasing the number of health workers in developing countries. These include insufficient training capacity, health workers choosing to work in non-health occupations, low labor force participation rates, and net migration flows. One extremely important factor that has received considerable attention in recent years is restrictive overall wage bill policy within the public sector. A large share of the health workforce in developing countries is employed in the public sector. As a result, health worker salaries are paid out of the government's overall wage bill budget. When governments decide to limit the expansion of the overall wage bill – often for very sound economic reasons – this can create a fiscal constraint where there are insufficient resources to finance additional hiring of health workers. In fact, much of the global debate has focused heavily on the fiscal constraint and how it is *the* key factor limiting scaling up the health workforce in the public sector.

The debate, however, has carried on largely in a data void with little documented country experience. There is a need to understand better the process that determines the health wage bill budget in the public sector, how this is linked to overall wage bill policies of the government and how this affects the ability to increase staffing levels in the health sector. This report contributes to the evidence base in these areas.

Numbers, however, are not everything. While the global debate has focused on shortages and the need to increase the number of health workers in developing countries, there is strong evidence that geographic distribution, skill mix, quality of care and productivity of health workers are just as important to improving service delivery and health outcomes. Within the public sector, these factors are influenced heavily by government policies and practices related to recruitment, deployment, promotion, sanctioning, and remuneration methods for health

¹ This report is forthcoming from the World Bank in spring of 2009.

workers. In these areas too, however, there is very little documented country experience. This report provides policy evidence in this area as well.

This report addresses two key policy questions:

What is the impact of government wage bill policies on the size of the health wage bill and on health workforce staffing levels in the public sector?

Do current human resources management policies and practices lead to strategic use of health wage bill resources in the public sector?

The relevant literature was examined and available cross-country data was analyzed. Detailed country level work was also carried out in four focus countries: Rwanda, Zambia, Kenya and the Dominican Republic. Governments in all of the countries recently went through periods of scaling back their overall wage bill. Against this backdrop the health sector strategy in each of the countries clearly identifies a need for additional wage bill resources in the health sector. Thus, the tension between the fiscal constraint on the overall wage bill at the central level and the sector goal to expand the health wage bill is common across the countries. But the policy approach to resolving this tension and the actual impact on budgets and staffing levels is quite different, providing rich lessons learned. There are also differences in policies and practices for key human resource management functions both across countries and within countries over time providing insight on how wage bill resources can be used more effectively.

The Impact of Government Wage Bill Policies on the Health Wage Bill and Hiring of Health Workers

Under the first policy question the report examines how overall government wage bill policies affect the size of the health wage bill, the ability to scale up hiring of health workers in the public sector and the related policy options.

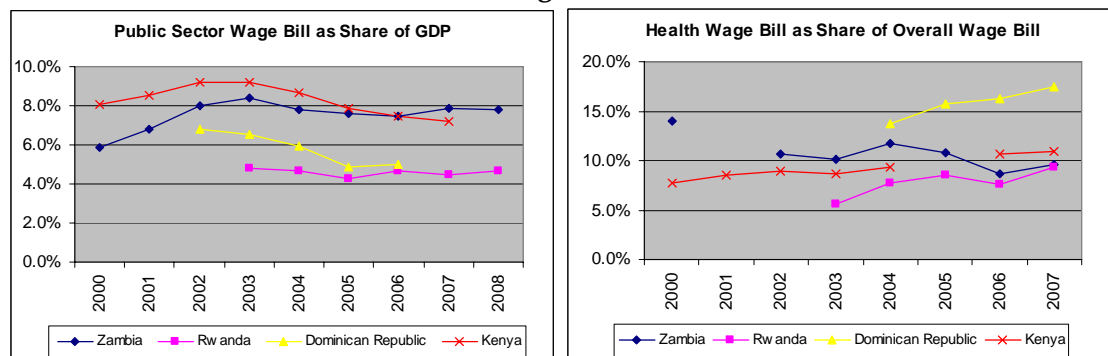
To answer the first policy question, the budgeting process for the health wage bill in the public sector was reviewed in the focus countries to better understand the actors involved and the processes through which fiscal policies influence the health wage bill. Trends in the overall public sector wage bill, the budget for the health wage bill (including how vacancies are created) as well as budget execution rates (i.e. whether budgeted money actually spent) were analyzed. This was compared to hiring trends and staffing levels for health workers in the public sector.

The key findings are:

- There is a strong economic rationale for controlling the size of the overall public sector wage bill. Countries implement restrictive overall wage bill policies for a variety of reasons but they are usually only a short term policy response.
- Wage bill ceilings used to be a common conditionality of IMF lending. But the IMF has recently concluded that wage bill ceilings have been overused within its programs. When the health wage bill is part of the government's overall wage bill, the Ministry of Health has relatively little control over its health wage bill budget.

- The wage bill budgeting process provides scope for governments to prioritize the health sector over other sectors. However, the stated government policy of prioritizing the health sector within the overall wage bill does not always translate into practice.
- Increasing the health wage bill – even significantly – need not necessarily lead to unsustainable growth in the overall wage bill. However, when wage increases or expanded hiring spill over into other sectors the fiscal impact on the overall wage bill can be considerable.
- Government overall wage bill policies can have important implications for the health workforce. However, the impact is by no means consistent across countries. In only one of the four country case studies was there evidence that wage bill restrictions were a significant constraint to scaling up the health workforce (Figure 1).
- A careful analysis of wage bill budget levels, wage bill budget execution rates, vacancies, hiring trends and unemployment among health workers needs to be carried out in order to determine whether restrictions on the overall wage bill are an important constraint to scaling up the health workforce. This must be done on a country by country basis.

Figure 1



Source: Country case studies

Human Resources Management Policies and Practices and Their Impact on Strategic Use of Wage Bill Resources

Under the second policy question the report examines how well health wage bill resources are used in the public sector. This is usually determined by the policies and practices that govern key human resource management functions for the health workforce in the public sector, how these are linked to selected health workforce outcomes and the relevant policy options.

To answer the second policy question, the policies and practices related to key human resource management functions within the public sector were reviewed in the four focus countries. The functions examined include recruitment, deployment, transfer, promotion and sanctioning of health workers. Policies and practices related to the types of contracts and method of remuneration and other incentives were also reviewed. Policies and practices related to these functions were then linked to selected outcomes, including budget execution rate for the health wage bill, geographic distribution and productivity of staff.

The key findings are:

- The recruitment process is plagued by considerable delays and is not targeted to areas with the highest need for staff (Figure 2).

- There is formal legislation governing the termination and sanctioning of civil service employees. But the formal policy can be very different from the actual practice.
- More strategic management of promotions and transfers can improve the geographic distribution of workers.
- Allowances are an important part of remuneration and account for a significant part of the health wage bill. But they are often not used strategically (Table 1).
- In all four country case studies there are significant weaknesses in policies and practices related to recruitment, deployment, transfer, promotion, sanctioning and payment methods of health workers in the public sector. These weaknesses contribute significantly to low budget execution rates for the health wage bill, geographic inequities in staffing levels, and absenteeism. There is considerable scope to use current health wage bill resources much more strategically.

Figure 2: Flowchart of Process of Filling a Vacant Post in Kenya

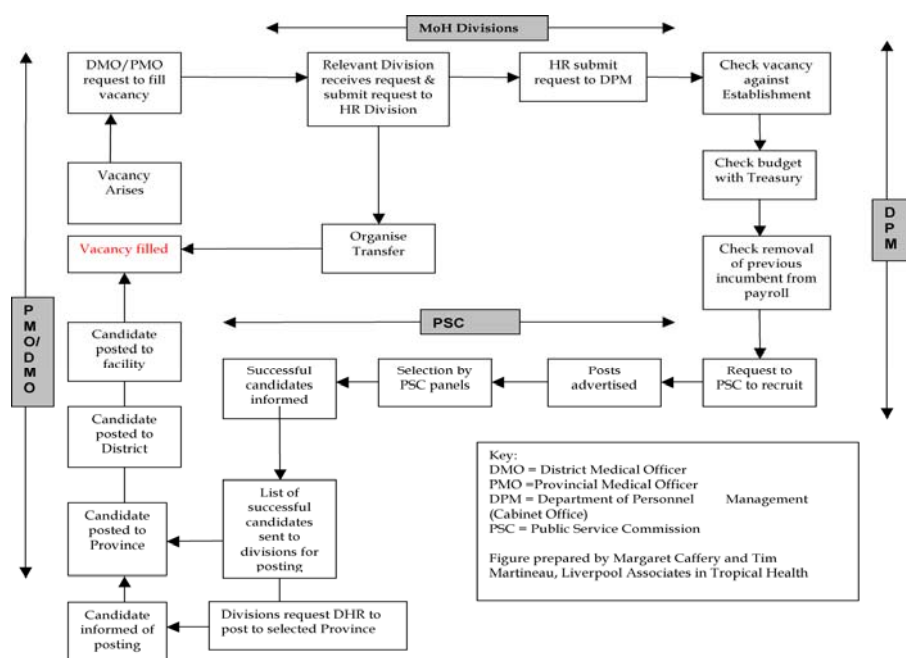


Table 1: Key issues in allowances

Country	Remuneration
Dominican Republic	<ul style="list-style-type: none"> • Allowances differ from those set out in policy. A lot of discretion in how allowances are paid amongst health workers even in the same cadre. • Non-strategic use of allowances.
Kenya	<ul style="list-style-type: none"> • Large use of allowances, accounting for 45% of total health wage bill. • Non-strategic use of allowances. • Allowance leakage problems.
Rwanda	<ul style="list-style-type: none"> • Allowances have been utilized to circumvent the civil service pay scale. • Share of allowances relative to total remuneration has been decreasing over time. • Performance based bonuses are used to provide top-ups for good performance.
Zambia	<ul style="list-style-type: none"> • Allowances are not captured in the overall wage bill. • Allowances are not strategic.

Policy Options to Address Fiscal Constraints on the Health Wage Bill and to Improve Management of the Health Workforce in the Public Sector

There are several policy options governments might consider to address the fiscal constraints to expanding the health wage bill (where they arise) and to improve key human resources management policies and practices that affect how health wage bill resources are used. These policy options are not intended as prescriptive recommendation, nor is the evidence supporting each policy option fully summarized in the report. Rather, the challenges, the enabling and inhibiting factors for success associated with each policy option are discussed in great length in order to identify where each policy option may be most appropriate. Some of these policy options are quite major and require significant public sector reform, with considerable risk. Others are more conservative and can be implemented very rapidly within the existing administrative environment.

The policy options include:

- Lines of accountability could be strengthened, the information base could be improved and capacity within the Ministry of Health could be strengthened in order to bring current human resources management practices more in line with stated policies.
- Where the Ministry of Health has autonomy, allowances could be used much more strategically and alternatives to salary payment could be considered to strengthen the incentives for good performance.
- Within the current budgeting process, the predictability of the health wage bill could be improved by budgeting for a longer period.
- The position of the Ministry of Health in wage bill budget negotiations could be strengthened so that an increasing share of the overall wage bill is devoted to the health sector.
- Subject to certain conditions, the fiscal constraint on the overall wage bill could be relaxed in order to accommodate expansion of the health wage bill.
- By working with international agencies, the volatility and unpredictability of donor assistance for health could be reduced. This would make it easier to devote more donor assistance for health to remuneration of health workers.
- Subject to certain conditions, authority over only selected human resources for health functions could be transferred to the Ministry of Health, while retaining the health wage bill within the overall wage bill.
- Subject to certain conditions – including adequate human resources management capacity – key human resource management functions could be transferred from the central level to the local level.
- Subject to certain conditions, health workers could be removed from the civil service and the overall wage bill so that the Ministry of Health has full control over both the size of and use of the health wage bill.

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