Analyzing Markets for Health Workers: Insights from Labor and Health Economics

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Overview

1. Health Labor Markets in LIMC

2. HLM ‘building blocks’
   - supply, demand, compensation (wages and salaries)

3. Non-market Clearing Equilibria

4. The way forward:
   - Analytical Approaches for HLM
   - Data requirements
Health workforce dynamics, Togo

Production:
- 890 doctors trained

Migration:
- 250

Retired:
- 20

Employed:
- 20

Employed full-time in the private for profit sector:
- 200

Employed full-time in the Government sector:
- 400

Concentrated in the capital city:
- (20% of population): 75% of employed doctors

Serving 80% of the population:
- 150 doctors

HLM ‘building blocks’

- HLM is a dynamic system comprising two distinct but closely related economic forces: the supply of health workers and the demand for such workers

  whose actions are shaped by a country’s institutions and regulations

- The demand for HW => willingness-to-pay (WTP) to hire them

- The supply of HW => the number of trained individuals willing to work in the health sector
SOURCE: McPake et al., 2013 - adapted from Soucat et al., 2012.
Labor Market Forces and ‘Market Failures’

• In a **well-functioning labor market**, wages or “compensation” act as the mechanism whereby the intentions of buyers and sellers are reconciled.

  - **Labor markets are said to “clear”** when the supply of labor matches the demand for workers.

• When they fail to do so, they exhibit either **labor surplus** (unemployment) or **labor shortage**.

  - **Markets fail to “clear”** either because **prices are not flexible** or demand or/and supply does not adjust to price signals.
Possible labor market scenarios

Diagram showing labor shortage, market clearing equilibrium, and unemployment.
Demand

- Demand for health workforce is derived from demand for health care
- Information problems weaken links between preferences, prices and demand
- Need for regulation of health professionals: assure quality standards
- Wages usually fixed by legislative process or tied to civil service regulation => rigidities

Supply

- Licensing, certification and accreditation
- Restricted entry, inputs substitution and higher wages
- Rationing of medical school slots
- Supply decisions made in response to market signals (geographical location, specialty choice) may not reflect consumers’ or social values
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Non-market clearing equilibria

• Result that market signals may result in suboptimal allocation of labor
  - Constraints on maximising behaviours
  - Rigidities in prices

• EXAMPLES
  - Compulsory government service
  - Regulations restricting labour substitution
  - Civil service employment rules
Applying (labor) economic frameworks to analyze the labor market for health workers helps to understand the diverse and interrelated constraints affecting HRH, the impact of health policies on HRH and the employment dynamics in the health sector (and its relationships to the economic cycle)
Employment in the health and social sectors as share of total employment, OECD 1995/2009

SOURCE: OECD Indicators, 2011.
Cumulative percentage of Health and Non-Health employment, US 2007/13

Focus on data...

• One potential reason why economics has not been applied is the lack of data, especially on earnings

• Improved datasets are an essential starting point that will help to urgently move beyond counting the health workforce and some of their basic characteristics...

...to understanding the determinants and solutions to labor market disequilibrium using high quality descriptive and causal evidence

=> Data collection efforts!!!
Thank you

www.worldbank.org/human-resources-for-health