



Impact of fiscal policy on the health workforce

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Background

- Critical role of the health workforce in achieving MDGs
 - Positive causal linkages between # of health workers and health outcomes
- Focus on public sector health workers
 - Still play a significant role in provision of health services
 - Especially those of a public good nature



Wage ceilings and macroeconomic policy

- Is fiscal policy (Space) the constraint?
 - To scaling up, and better remunerating HWs?
 - Focus on expenditure side
- Role of wage bill ceilings
 - Strong macroeconomic management
 - Short term policy measure while civil service reforms are being implemented.
 - Use is for short term crises, but become sticky and hard to abolish



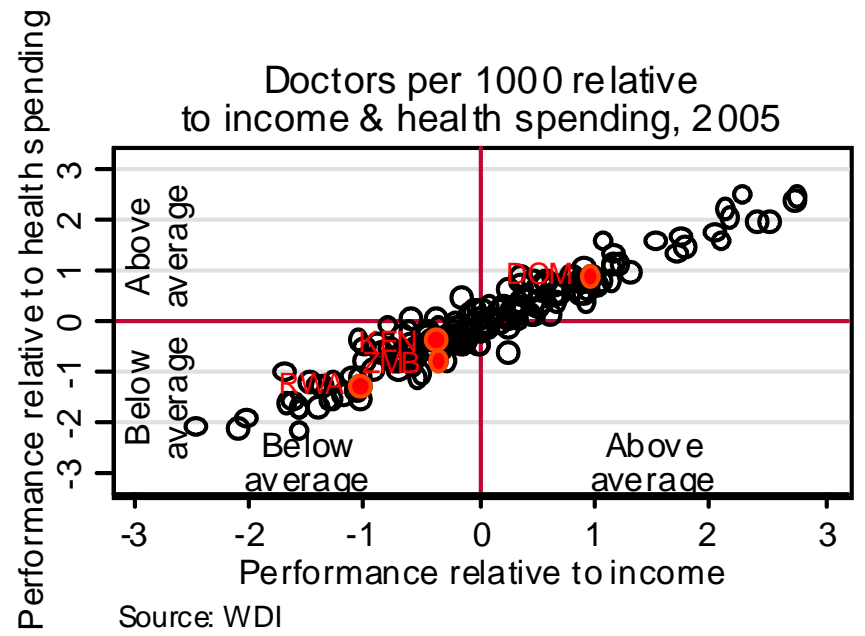
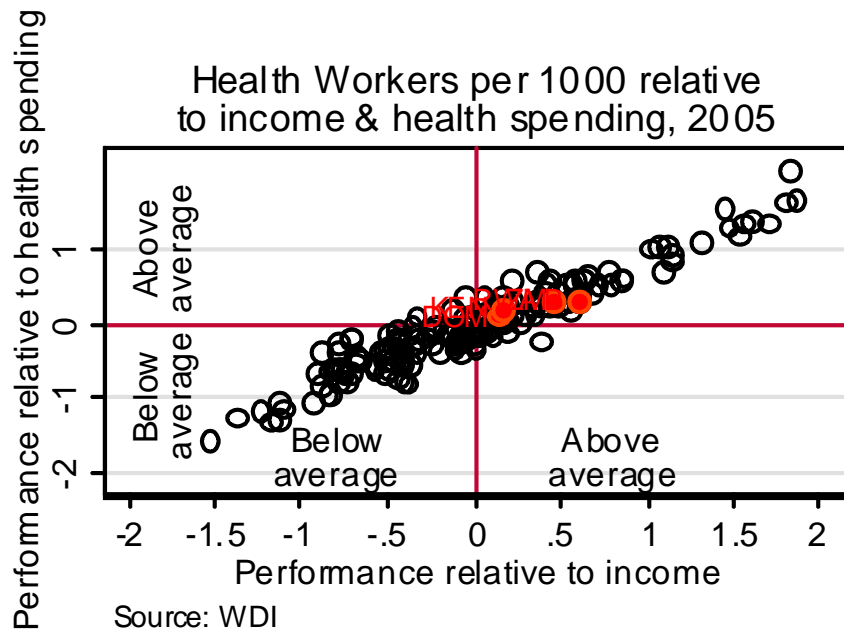
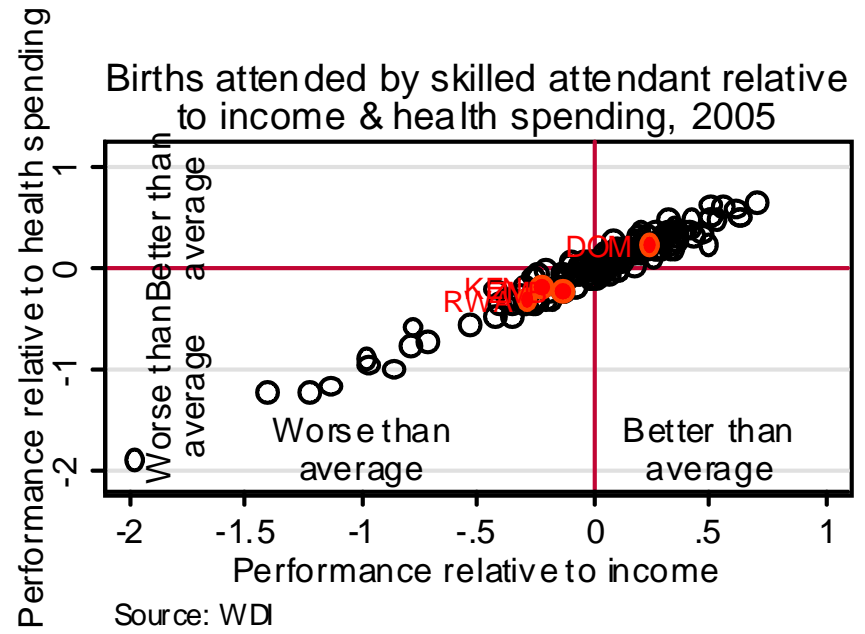
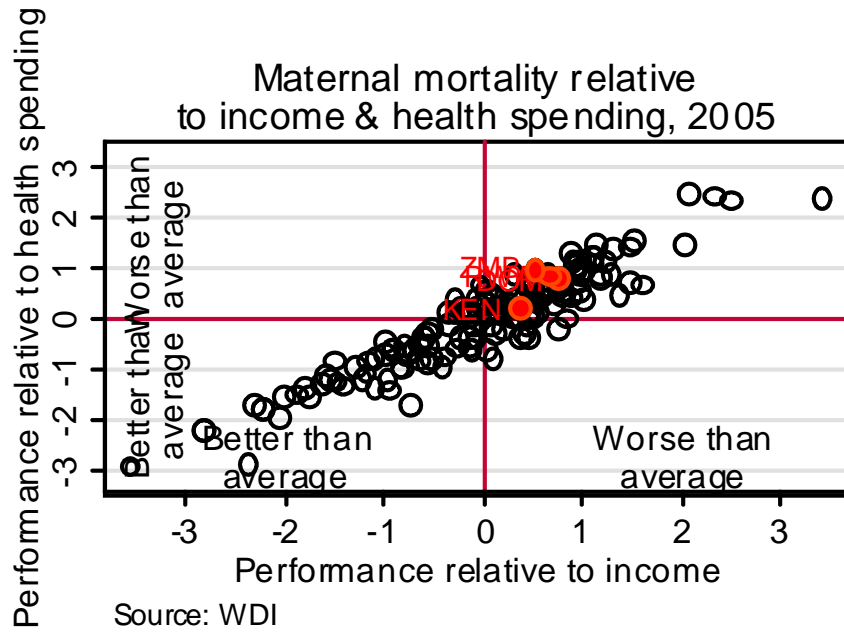
Wage ceilings and macroeconomic policy (contn'd)

- IMF programs and wage ceilings
 - Currently not really part of IMF programs
 - Usually in countries with high W/GDP
 - Often overused
 - Move towards flexible and transparent ceilings which accommodate social spending
- Govts may have their own wage bill ceilings and targets as part of their own fiscal policies
- Some provide exemptions for the social sector



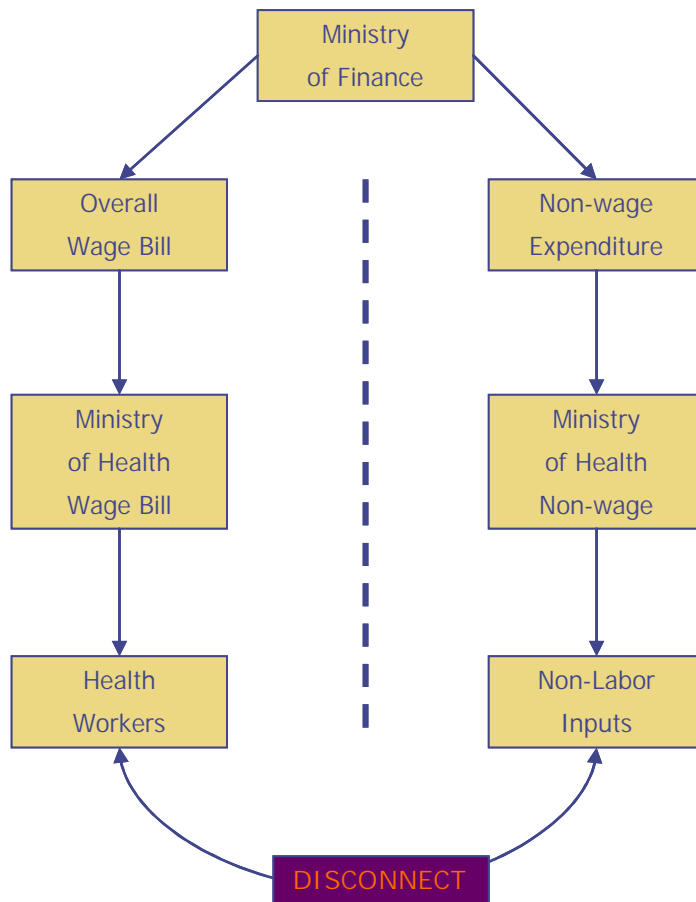
WB analytical work: Overcoming the Fiscal Constraints to Scaling Up Health Workforce

- Focused on two key questions:
 - What is the impact of government wage bill policies on the size of the health wage bill on health workforce staffing levels in the public sector?
 - Within the current health wage bill envelope, do the existing HR management policies and practices lead to a strategic use of wage bill resources?
- Four country case studies
 - Dominican Republic, Kenya, Rwanda, Zambia

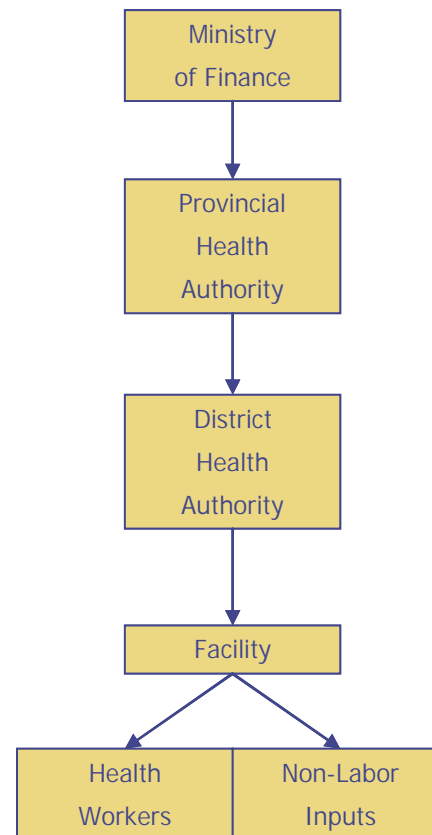


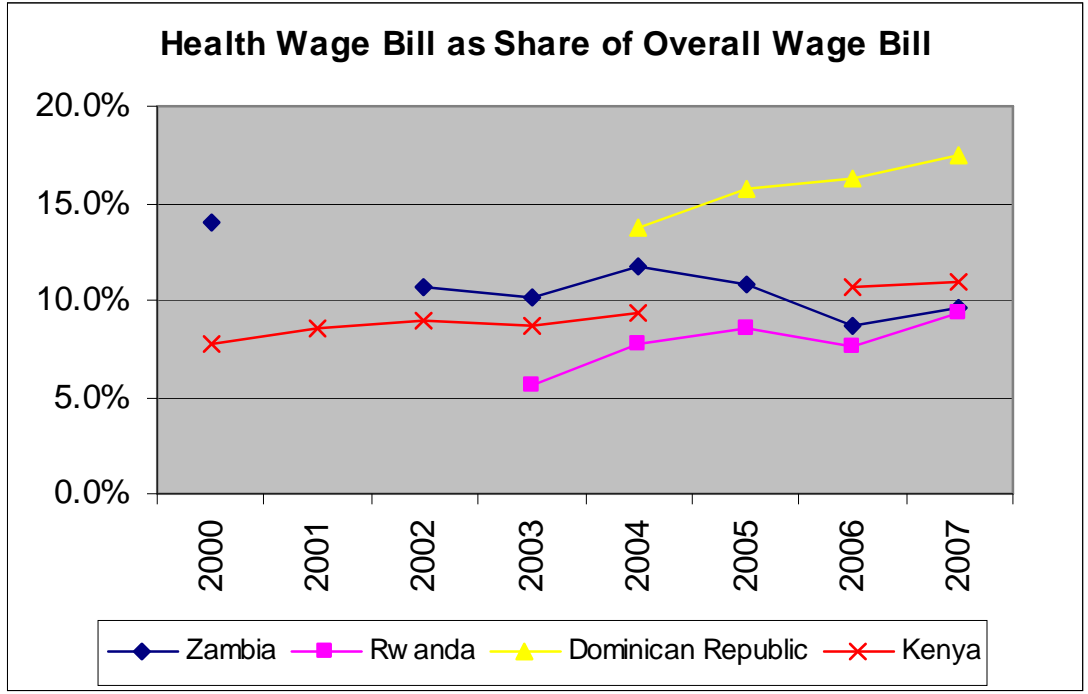
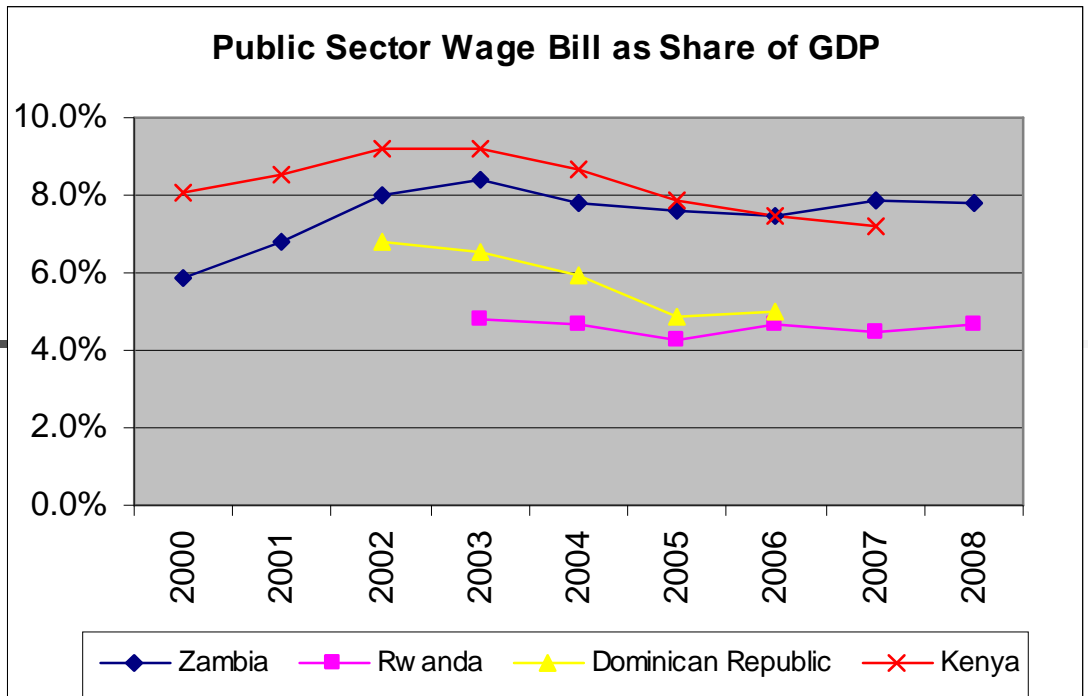
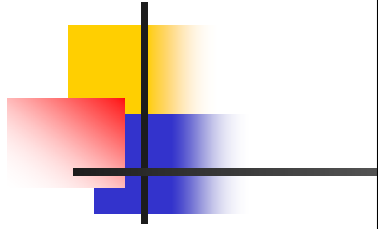
Wage bill budgeting process

Separate Budgeting Process

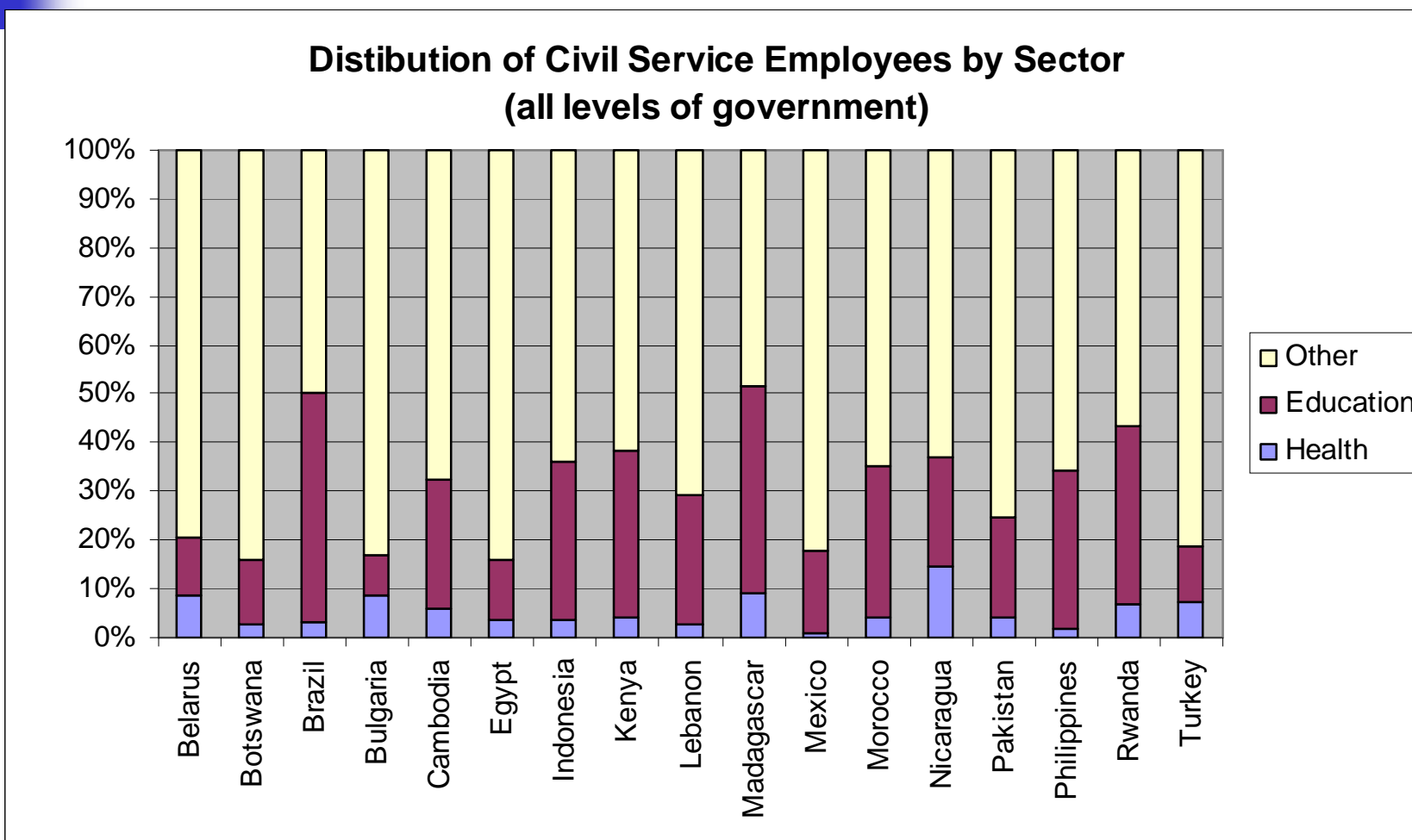


Fully Flexible Budgeting Process



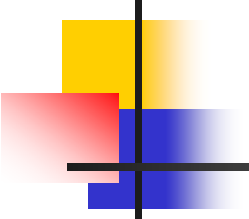


Health is a relatively small share of overall civil service



Source: World Bank Government Wages and Employment Dataset

Impact on the overall public sector wage bill of changing staffing and wages in the health sector – Kenya



Scenario	Health Wage Bill/Total Wage Bill BASELINE	Health Wage Bill/Total Wage Bill NEW	Increase
Increase doctors' salaries by 25% (or Increase number of doctors by 25%)	9.63%	9.87%	0.24%
Increase nurses' salaries by 25% (or Increase number of nurses by 25%)	9.63%	10.82%	1.19%
Increase salaries for all health workers by 25% (or increase number of all health workers by 25%)	9.63%	12.04%	2.41%

Impact on the overall public sector wage bill of changing staffing and wages in the health sector – Zambia

Scenario	Health Wage Bill/Total Wage Bill BASELINE	Health Wage Bill/Total Wage Bill NEW	Increase
Increase doctors' salaries by 25% (or Increase number of doctors by 25%)	10.80%	11.04%	0.24%
Increase nurses' salaries by 25% (or Increase number of nurses by 25%)	10.80%	11.70%	0.90%
Increase salaries for all health workers by 25% (or increase number of all health workers by 25%)	10.80%	13.50%	2.70%
	Education Wage Bill/Total Wage Bill BASELINE	Education Wage Bill/Total Wage Bill NEW	Increase
Increase teacher salaries by 25% (or Increase number of teachers by 25%)	12.38%	15.04%	2..66%



Key HRH management policies and practices

- Creation of vacancies
 - Often top down, not needs-based
- Recruitment of workers
 - Takes too long (18 months in Kenya) to recruit new staff and to fill up vacancies
- Terms of service (mostly related to civil service constraints)
 - Tenure
 - Remuneration,
 - Promotion and transfers
 - Sanctions



More efficient use of available resources possible

- Better use of resources will lead to
 - Increased productivity,
 - Reduced absenteeism of workers
 - Reduced attrition
 - Better Geographic distribution of workers,
 - Better targeting
 - In Rwanda, the money now follows the position not the Health Worker
 - Improved skill mix



Donor financing for HRH

- Donor funding can be channeled towards HRH
 - Could be used to circumvent wage bill ceilings and resource constraints
 - Strategic hiring and targeting
- Issues that might result include
 - Volatility of funding
 - Creation of contingent liabilities for the government
 - Distortion of salaries and local wages



Policy options: increasing the health wage bill

- De-link health sector from civil service
- Less stringent fiscal constraints for overall wage bill
- Increase MOH control of human resource management
- Improve negotiating power of the MOH
- Greater predictability of wage bill budgets and allocations



HRH Management: Policy Options

- Strengthen accountability and capacity of HR management within the MOH
 - Improve information base
- Developing clear, costed HRH strategies
- Strategic use of allowances and payment mechanisms
 - Performance-based payment in Rwanda
 - Rural retention allowances in Zambia
- Decentralization of certain HRH functions
- Better use of donor assistance for health



Better use of Donor assistance

- On the Donor side
 - Reduce the unpredictability and volatility
 - Longer term commitments
 - Harmonization, coordination, fungibility of funds
 - Budget vs. off-budget support
- On the Government side
 - More flexible contractual arrangements
 - Short term measure, should not substitute longer term strategic planning and increases in the wage bill.



Kenya Emergency Hiring Program

- Implemented to address severe health worker shortage problems
- Collaboration of donors
 - PEPFAR, GFATM, and Clinton Foundation and GOK
- Short term contractual tenure under MoH terms of service - three-year contracts
- Targeted at specific geographical areas.
- Streamlined recruitment process
 - Computerization
 - Delegation of authority from PSC to MoH
- Recruitment took 5 months, instead of usual 18 months



In summary

- Within fixed wage bill budget, options for increasing fiscal space for health include
 - Use of additional extra budgetary resources (donors)
 - Contingent liability issues and aid volatility
 - Prioritize in favor of health and other priority sectors
 - Negotiating power of the health sector
 - Clear HRH strategies
 - Position of Health in the national development strategy
 - Use existing resources more efficiently
 - Strengthening HR management