



# 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'

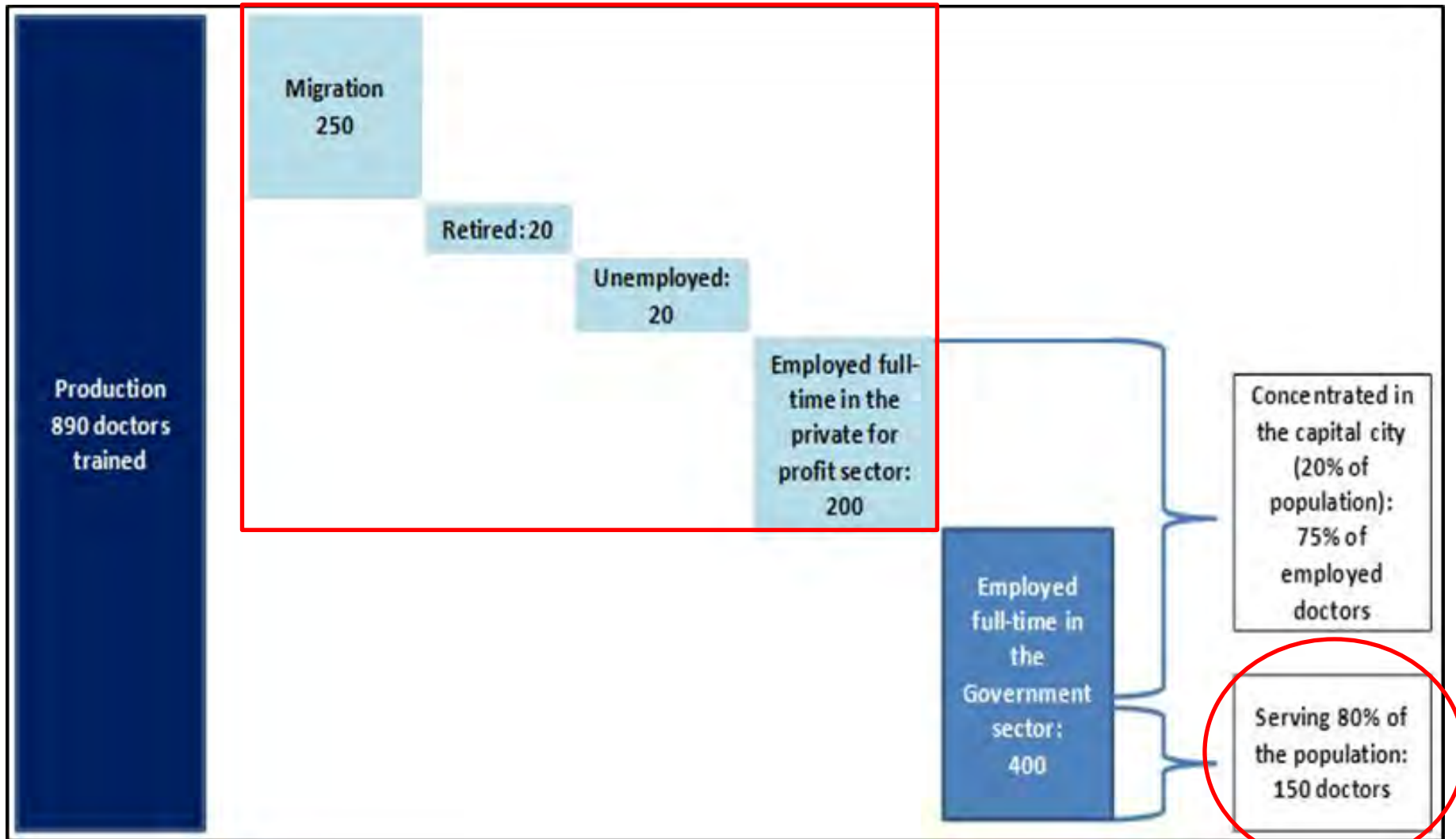
- *supply, demand, compensation (wages and salaries)*

## 3. Non-market Clearing Equilibria

## 4. The way forward:

- *Analytical Approaches for HLM*
- *Data requirements*

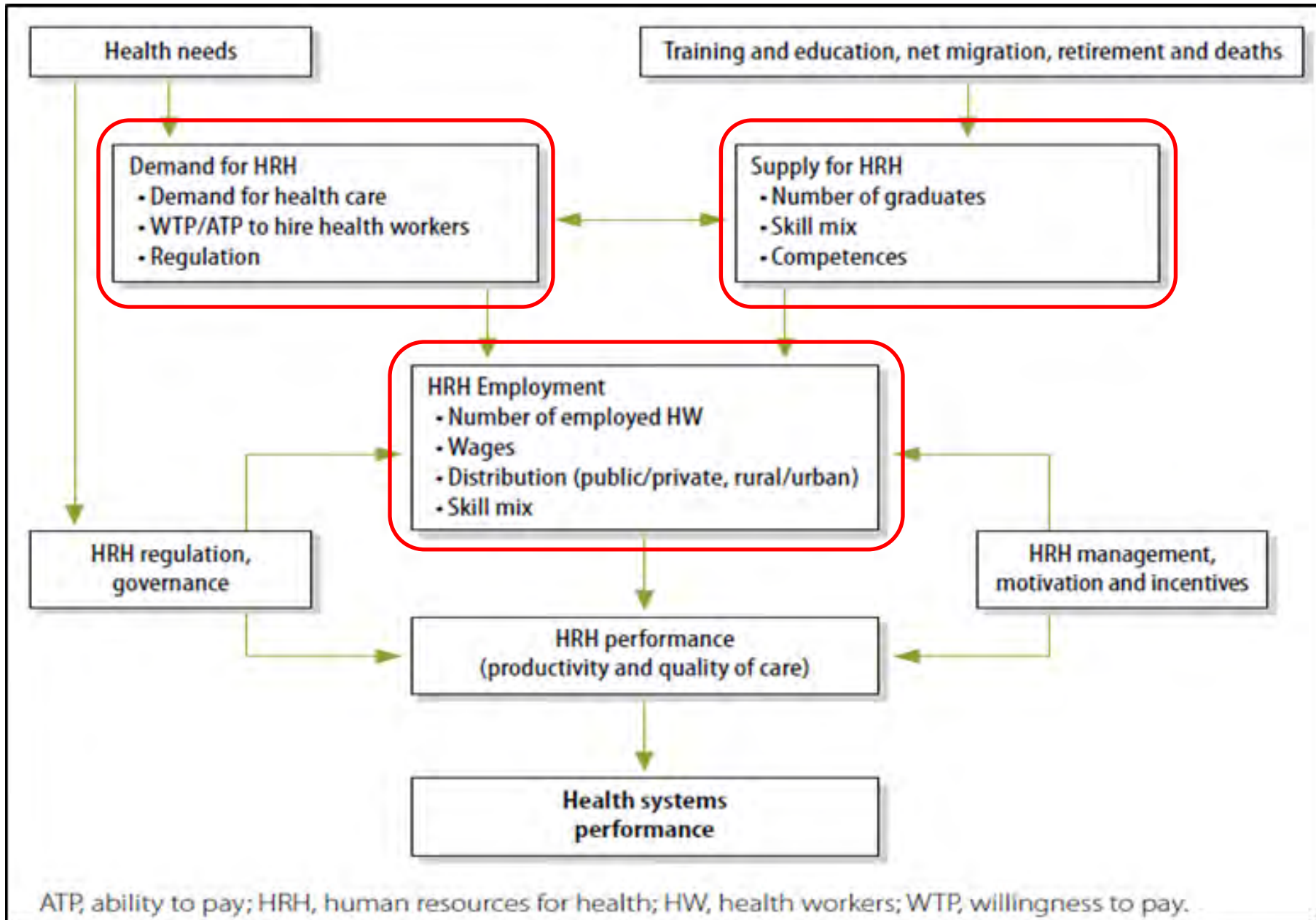
# Health workforce dynamics, Togo



SOURCE: World Bank/AFTHE, 2011.

# 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

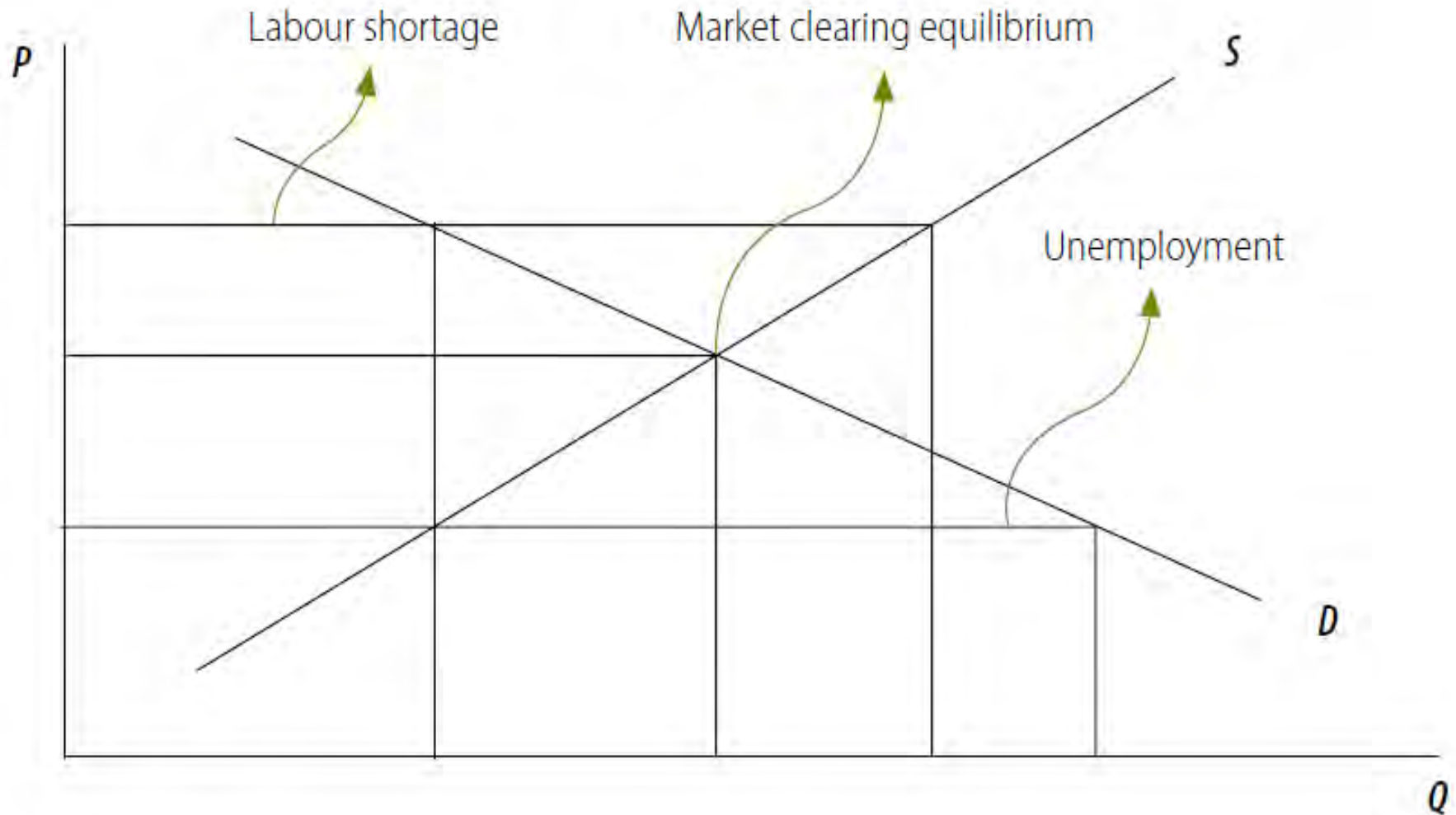


SOURCE: McPake et al., 2013 - adapted from Soucat et al., 2012.

# 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



# Demand

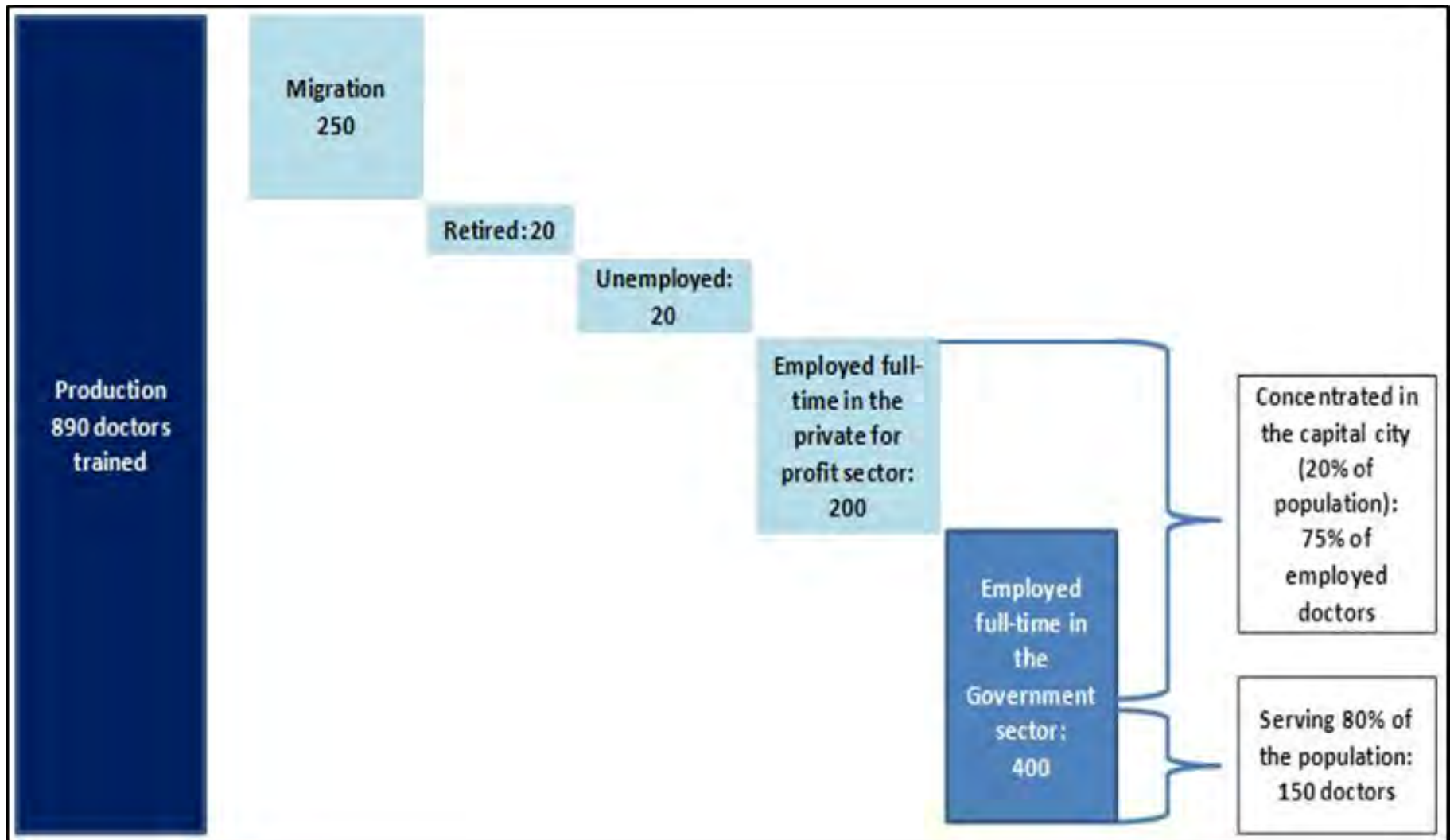
- demand for health workforce is derived from demand for health care
- Information problems weaken links between preferences, prices and demand
- Need for **regulation** of health professionals: assure quality standards
- **Wages usually fixed** by legislative process or tied to civil service regulation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



# Health workforce dynamics, Togo



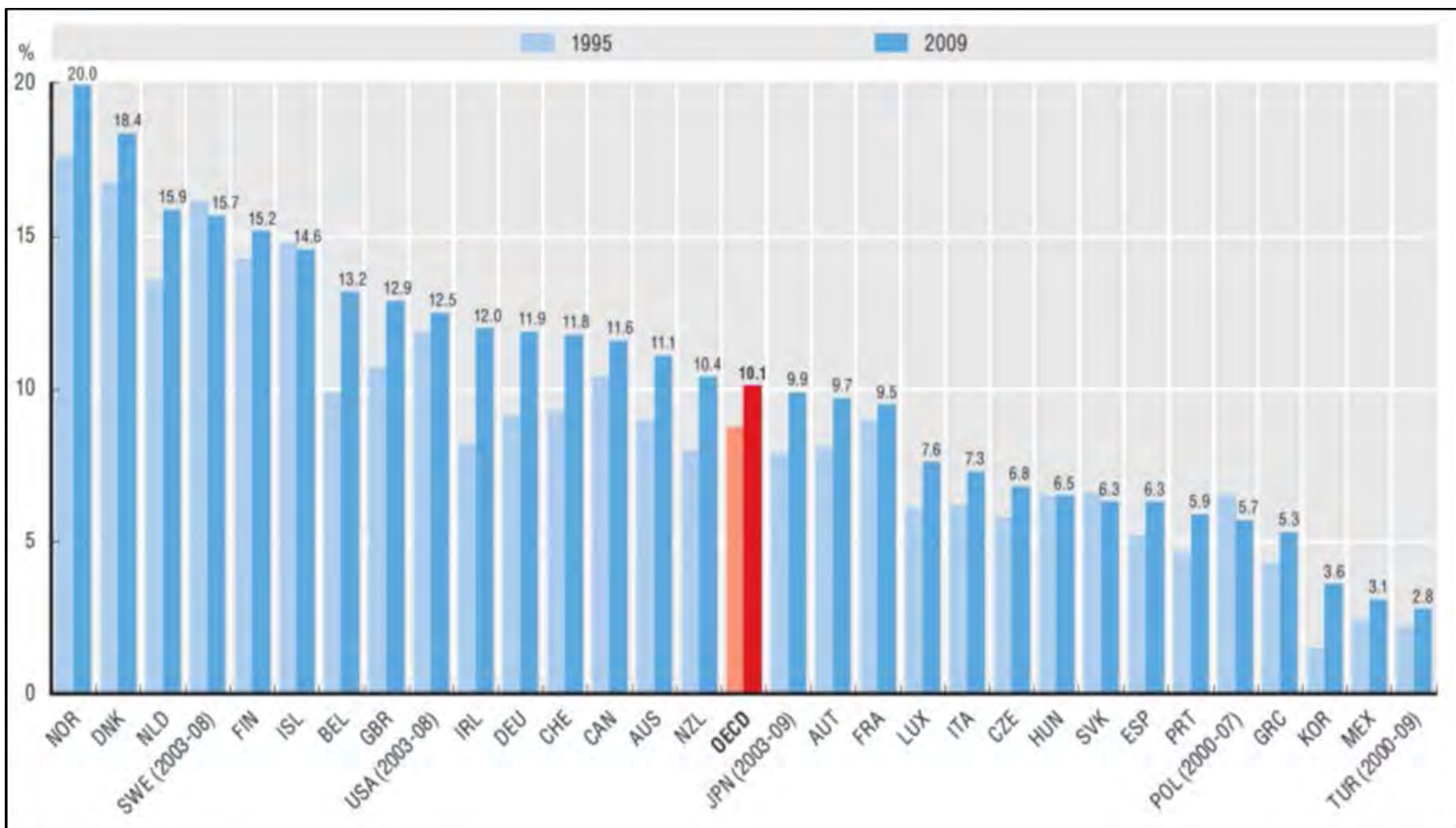
SOURCE: World Bank/AFTHE, 2011.

# 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*

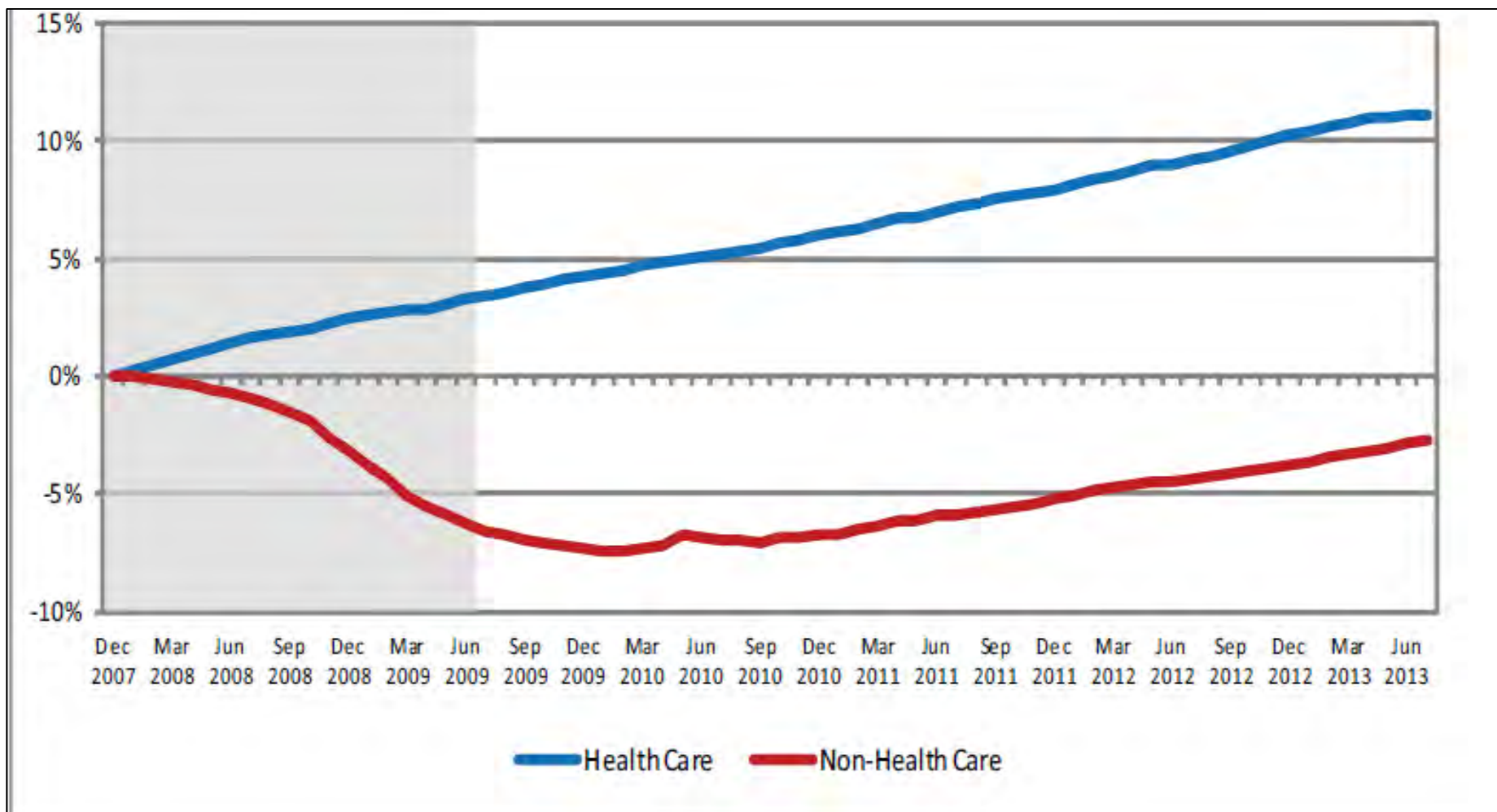
**Applying (labor) economic frameworks to analyze the labor market for health workers helps to understand the diverse and interrelated constraints affecting HRH, the impact of health policies on HRH and the employment dynamics in the health sector (and its relationships to the economic cycle)**

# 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



SOURCE: Turner et al., 2013. US Bureau of Labor Statistics Data.

# 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

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