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УНИВЕРСИТЕТ

# The motivational effects of changing from a fixed salary to performance based remuneration of Russian physicians

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## Background -1

- Many countries traditionally used fixed salary system for remuneration of physicians in the public health care sector.
- Salaries were usually based on a national pay scale, and individual physician's salary depend primarily on seniority (years of service), and were little related to any measure of physician's output or performance
- Such remuneration scheme creates very weak incentives for health workers to perform better and to achieve the goals of the health system.
- It is assumed that a performance based pay provides much stronger financial incentives for health workers to improve performance and efficiency than a fixed salary system.



## Background -2

- The case of Russia is a good example for the study the effects of the shift from fixed salary system to performance based remuneration on health worker motivation:
  - The level of salary of health worker in Russia was very low: in 2005, after 15 years of transition the average monthly salary of health and social workers was only 69 per cent from average one in the economy .
  - A part of doctors and nurses compensated a lack of income by informal payments from patients. Due to these practices physicians who work at urban public outpatient clinics may earn around 20 to 30 percent more to their salary, while the hospital physicians received up to 200 percent as informal payments, and some specialists (surgeons, gynecologists) earned even more.
  - The low level of salary didn't create any incentives for health workers to perform better. The informal payment produces perverse incentives for doctors to deliver quality care to patients who give them money “under the table” and to pay not enough attention to other patients.

## Background - 3

- Russian government substituted in 2008 the rigorous national pay scale for public sector workers by the more flexible performance scheme of basic salary and the additional performance based remuneration.
- In 2012 the government adopted the six years program of budget sector worker's salary increase that provides till 2018 the raise of average physician's salary up to 200 percent from the average salary in the economy. The introduction of so called effective contract is intended to strength the performance based remuneration incentives.

### Dynamics of average salary of health and social services workers in 2007-2014

	2007	2008	2009	2010	2011	2012	2013	2014
Average salary in real terms, per cent (2007=100%)*	100	115	136	144	165	193	229	242
Average salary as a share of average salary in the economy, per cent	74	75	80	75	75	78	82	83

\*Note: the indicator is calculated with use of the consumer price index growth.

Source: Rosstat data.



## Objective

- The objective of the research:
  - to study what is the impact of development during last years the performance based remuneration system of the Russian physicians on their motivation at work.
- This objective includes the following tasks:
  - To identify the work motives of physicians and reveal the hierarchy of these motives;
  - To identify the willingness of doctors to work more and better under performance based remuneration scheme than they are doing under fixed salary scheme;
  - To reveal the attitudes of doctors towards increase of stimulating part of salary including bonuses for the intensity, quality of work and performance.



# Methodology

- **Empirical base:** in-depth semi-structured interviews and health workers surveys:
  1. in May-June 2007 in two regions (subjects of the Russian Federation ) with the sample 561 physicians;
  2. in October-November 2009 in three regions with the sample 791 physicians;
  3. in November 2011 in twenty regions with the sample 2450 physicians;
  4. in September-October 2013 in twelve regions with the sample 1608 physicians;
  5. in September-November 2014 in four regions with the sample 951 physicians;
- To reveal work motivation physicians were asked a set of questions on professional values and feelings about work with multiple choices of answers and with use of five-point Likert scale.
- The research used the standard statistical techniques.



# Changes in motivational structure of Russian physicians

The hierarchy of motives on work according to physicians estimates (the ranks of importance, has a maximum value of 1, 11 min)

The motives	Year of survey			
	2007	2009	2011	2014
Ability to earn money for life	1	1	3	3
Professional interest	2	2	1	1
Compassion and assistance to patient	3	3	2	2
Possibility, if necessary, to help relatives, friends, ourselves in health care	4	4	4	4
Job security	5	5	6	5
Professional development	6	6	5	6
Inability to settle in the region to another over-paid jobs in the medical profession	9	7	9	8
Respect and support by family and close friends	7	8	7	7
Ability to make a career	8	9	10	9
Ability to earn the respect of colleagues	10	10	8	10
Increased ability to communicate with other people	11	11	11	11
<i>Number of respondents</i>	<i>621</i>	<i>791</i>	<i>2399</i>	<i>945</i>

**The activity of Russian physicians is polymotivated**



# The differences among physicians by hierarchy of motives

Clustering of physicians by dominance motives of their work (2011)

Clusters	Share, %	Dominance motives
«Social Capitalists»	26	Public recognition and respect for profession
«Harmonious»	64	Professional interest Compassion and assistance to patients Ability to earn money for life
«Oriented to respect and support by family and close friends»	7	Respect and support by family and close friends
«Communicators»	3	Increased ability to communicate with other people

**The differences among physicians by hierarchy of motives have existed but they have been blurred**





# Effect of changes in salary system on willingness to work better

## Willingness of doctors to work better if their remuneration is linked to personal labor contribution (%)

Levels of willingness	Year of survey				
	2007	2009	2011	2013	2014
No, because now working at a high level of quality and performance	58	55	64	63	64
Yes, it could work a little better than it is now	29	34	23	26	26
Yes, it could work much better than it is now	13	11	13	12	10
Number of respondents	621	791	2251	1601	950

**The share of doctors willing to work harder and better on the condition of linking salary with labor contribution did not increase, and even slightly decreased in the last two years of the period under consideration**



## Fixed vs stimulating parts of the salary

The share of the fixed part of salary desired by physician's, depending on whether they receive incentive bonuses for the intensity, quality and results of the work, 2014 (per cent)

Desired share of the fixed part of salary	Receive incentive bonuses	Not receive incentive bonuses
Above available	89	78
Equal available	3	4
Below the available	7	18
Number of respondents	386	112
Cramer coefficient	0,125	

The majority of physicians desire to increase not a stimulating part of the salary but a base, fixed one. Doctors who receive bonuses for the intensity, quality and performance, and who have a higher amount of salary wish to see the share of fixed part of salary higher than it is now available.

## Conclusions:

- The marked increase of physician's salaries in 2007-2014 and changes in the salary scheme, aimed at strengthening its stimulating character, had not activating, but conservative effect on their work motivation
- This reaction can be explained by several reasons:
  - The wage increase was seen by doctors primarily as restoration by the state of justice in the remuneration of their work, and as a kind of return by the state the debts to doctors, which does not oblige them to return efforts
  - the introduction of the new salary scheme was not organized in the best way. Introduction of incentive bonuses and ensuring their alignment with the doctor's output indicators was obviously not sensitive enough for many doctors to change their established labor practices
  - The results confirm the findings of other studies that financial incentives alone are not enough to motivate health workers, and there is a need for a more comprehensive approach to increasing motivation, satisfaction and performance (Franco et al., 2004; Willis-Shattuck, et al., 2008)
- The motivation of Russian physicians has made very expensive or ineffective the use of simple incentives like salary increase to stipulate them for more efficient work and to refuse from informal payments.