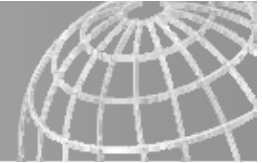


Paying for time or paying for results:

A glance into history

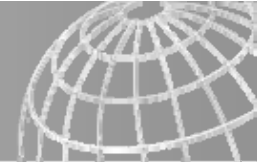
Dr Andreas Kalk – Head of Health Section, GTZ

Presentation at Swiss Tropical Institute, November 2008



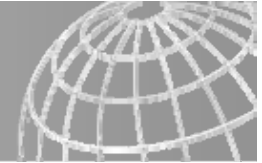
P4P is not new:

- Hammurabi Code 18th century BC (*sic!*)
- Output-based payment of weavers under Nebuchadnezzar (604 BC)
- Piece-work systems evolving with mercantilism in the Middle Ages
- Profit sharing by *Maison Leclaire* (Paris) since 1775, payment by piecework at Boulton & Watt (UK) since 1778
- Marginal productivity theory (1870s) overcoming 'hungry man' doctrine



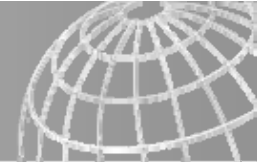
Resistance to P4P

- *Verum pretium* approach in Roman society
- Readaptation as *justum pretium* by the Christian Church
- Trade unions' struggle for time-based payment in 19th century (AD)
- 21st century's criticism of P4P in the banking sector (Churches, German President *et al*)



Engineers and social scientists

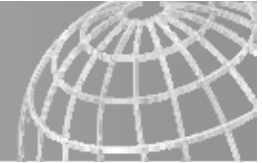
- Pivotal studies in USA
- Individual (differential) piece rate since Taylor, Gantt and others (since 1880)
- Social comparison (Williams 1920)
- Restriction of output (Mathewson 1931)
- Hawthorne studies (1927-32)
 - Focus on ‘Hawthorne effect’
 - Role of incentives less reported



Do people and setting matter?

Differences between industrial work in the North and health work in the South:

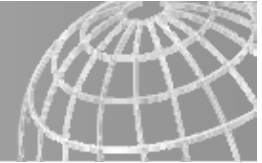
- Intrinsic and extrinsic motivation patterns
- Complexity of tasks
- Efforts required to measure performance
- Implication of clients into 'production process'
- Role of basic salary in covering basic needs



No doubt about short time benefits

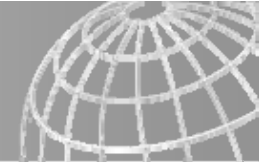
Concept transfer took place since 1990s,
and increased:

- Interaction between clients and service providers
- Effectiveness of health system
- Internal and external M&E, accountability



Doubts prevail in some aspects

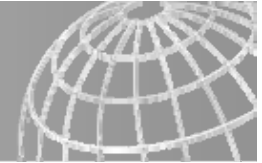
- Crowding out (of intrinsic by extrinsic motivation)
- Gaming
 - Work on indicators chosen, neglect of others
 - No escape due to complexity of medical work
 - ‘Refinement’ and manipulation of data
- Customer as part of process (is helpless...)
- Relation basic salary to incentives
- Relation of both to ‘pyramid of needs’



Crowding out

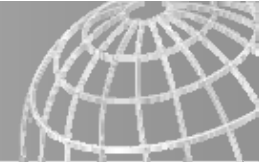


The replacement of intrinsic by extrinsic motivation can be difficult to reverse and correspond to the end of any kind of motivation.



Indicators are indicators

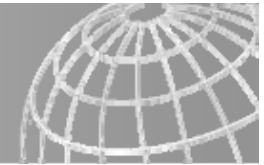
- ‘SMART’ information about a larger issue
- Measurement already affecting results
- Financing distorting results?
 - The ‘75 licence plate example’
- Medical act or injury – the meaning of indicators related to clinical decision making



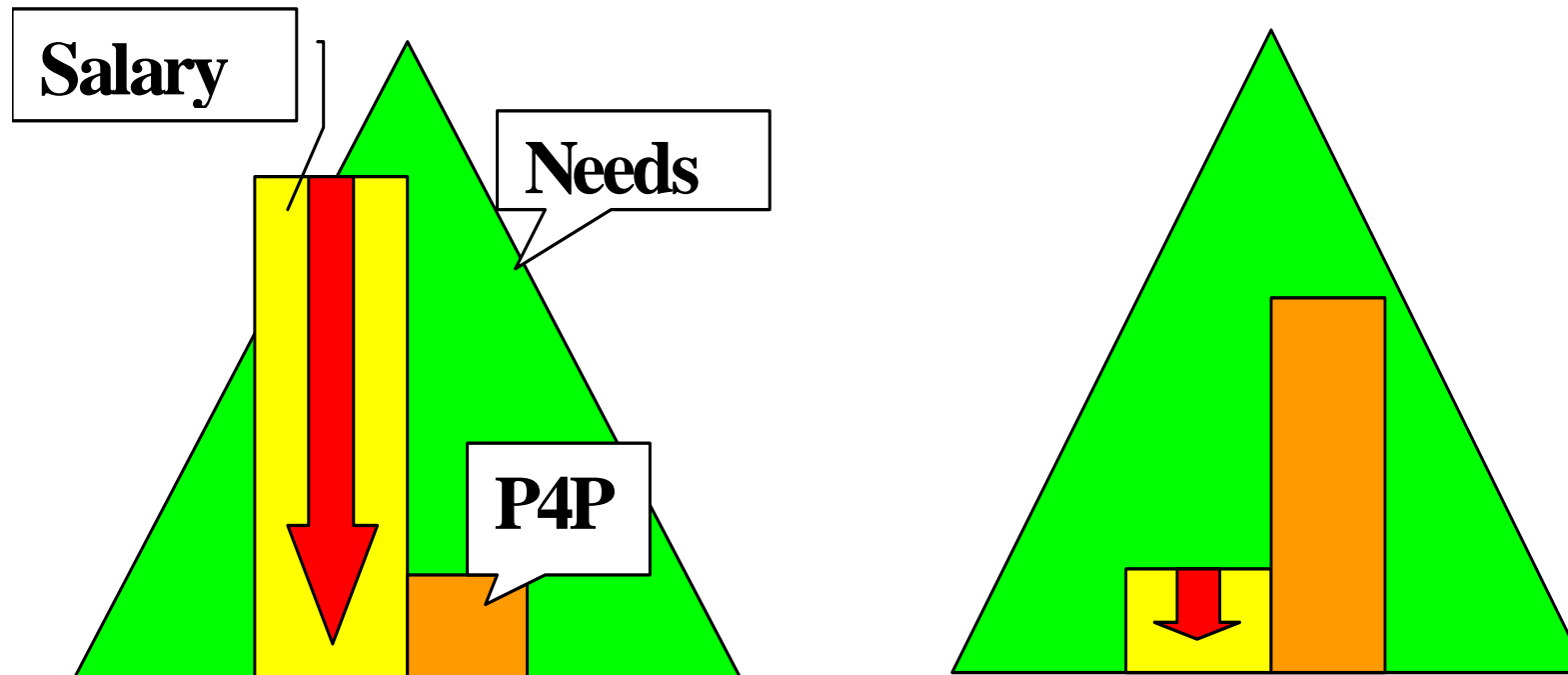
Two ladies in trouble

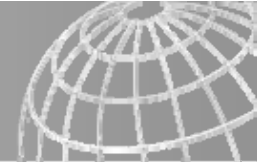


If she opts for a CS, the customer might pay for the result, but the latter one will also be part of the process...



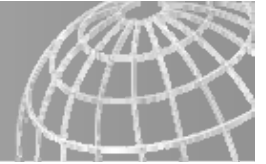
Fair payment for fair work?





Questions to be answered

- In how far does P4P affect intrinsic motivation?
- In how far stimulates P4P all forms of ‘gaming’?
- In how far can improved impact be attributed to indicated changes in performance?
- To which degree is P4P in congruency with an ethical ‘image of work’?
- What is an acceptable cut-off between salary and incentives?



Thank you very much!