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Why a Well-Paid Nurse is a Better Nurse

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Introduction

In a recent article titled "The Economics of Vocation or 'Why Is a Badly Paid Nurse a Good Nurse?'" economist Anthony Heyes (2005) argues that a willingness to accept a lower wage, all else equal, distinguishes a "good" nurse from the "wrong sort." Therefore, he argues, raising nurses' pay would reduce the proportion of nurses who have a vocation for it and result in a decrease in the quality of care. Lest such work be taken seriously — or tarnish the reputation of all economists in the eyes of serious scholars of health care — this article, written by two economists who have studied the economics of occupations with a "care" component (Folbre & Nelson, 2000), rebuts Heyes' argument.

Heyes' result is based on fallacious reasoning and a disregard for considerable literature on quality of care, worker motivation, and morale as will be discussed in this article. It also ignores actual nursing shortages emerging in the United Kingdom and many other advanced industrial countries. There are many reasons to believe that higher salaries for nursing would increase both the quantity and quality of nursing care.

The "Bad Pay = Good Nursing" Argument

Heyes models "vocation" as a "non-pecuniary benefit" that nurses receive, along with their wage, from doing work that they "like" or "feel a need to do." The standard labor economics theory of "compensating wage differentials" posits that, all else equal, a person will be willing to take a lower wage for a job with characteristics he or she prefers, than for a job with less-pleasing characteristics. Drawing from this theory, Heyes asserts that someone with a "vocation" for a service-oriented occupation like nursing or teaching will, all else equal, be willing to enter that profession at a lower wage than someone who does not feel such a vocation.

So far, as an argument based on personal utility maximization (and with the strong "all else equal" clauses), the argument is relatively uncontroversial. The fallacious conclusions develop as Heyes (a) fails to distinguish adequately between motivations and the quality of the job accomplished, (b) uses a theory about individual behavior to make assertions about the characteristics of the entire nursing labor market, (c) neglects the impact of pay on employee morale and retention, and (d) overlooks the empirical realities of current nursing shortages.

Motivations and Quality

While vocation may be a necessary condition for high-quality performance in many jobs, it is by no means a sufficient condition. Vocation does not guarantee skill. Someone who is effective in making patients feel truly "cared for" provides higher quality care than someone who performs his or her routines mechanically, all else equal. The vast majority of nurses, we believe, do provide such high-quality nursing or at least would like to, if staffing levels and other employer policies would allow them. But there are at least two places for slippage between personal feelings of vocation and quality of outcomes.

First, nursing, has, unfortunately, long suffered from the stereotype that its practitioners need *only* be motivated by love. Some nurses complain that patients, families, and fellow staff treat them as unskilled, kindly "angels" or "pillow-fluffers" rather than skilled *and* caring professionals. In judging quality of care, emotional competence is important, but should not be focused on to the neglect of other medical, technical, and organizational competencies. The best nurses are those who combine both. Acquisition of technical skills through nursing education is, of course, generally an expensive proposition in terms of both time and money. Wage rates that imply a low or negative return on this initial investment (especially if they create hardship in repaying educational loans) will discourage capable people from entering this

profession.

Second, people drawn to any occupation by the opportunities it may offer for a particular kind of self-expression may or may not actually be competent at even those expressive aspects of the job. A person drawn into nursing by the emotional and relational tasks may not be effective in communicating a feeling of being "cared for," just as others who feel a strong vocation to be poetic may not ever successfully pen good poetry. Heyes falls prey to a logical fallacy when he equates intention with accomplishment.

Individual Analysis Is Not Market Analysis

The theory of compensating wage differentials applies at the level of an individual, making the choice of whether or not to supply his or her labor. The idea that *generally* paying nurses low salaries is an argument that goes beyond the individual level to encompass larger issues of market-level supply. Regarding the available labor pool, Heyes assumes that the distribution of abilities and reservation wages among nurses with and without vocation would be identical, were it not for the vocation factor. (The "reservation wage" is the lowest wage that can be offered and still draw a worker into a labor market.) Yet the relation between vocation and reservation wage should be a topic for empirical study, not theoretical assertion. In fact, there is good reason to believe that nursing applicants who have a full set of the emotional and other competencies that would enable them to provide quality care will tend to have systematically *higher* reservation wages than lower-quality applicants.

This comes from observing the two main sorts of workers who may populate the low-wage pool. First, As Heyes posited, some people are willing to accept low wages out of the goodness of their hearts. These people must also, presumably, have relatively low financial responsibilities. Historically, nurses (along with pre school teachers and other "caring" professionals) were often young childless women, or married women who could rely on their husbands for financial support. This pool of truly caring people who don't need the money is probably shrinking over time, however, given rising divorce rates and other changes in family structure. To the extent that nursing education gets increasingly technical and expensive, even fewer people have the luxury of making a decision to enter this profession without worry about its financial implications.

People with real financial responsibilities for themselves and their families, on the other hand, would find it difficult to choose a low-wage nursing job, no matter how generous their hearts. Accepting such a job could mean putting the needs of their patients before the needs of their own dependents. Caring, intelligent, organized, educated, and honest people with other options are not only in demand for nursing, but in demand for other occupations as well. Higher wages elsewhere will, therefore, draw them out of the low wage labor pool. This is not because they are "greedy," but because in a modern economy one needs income to pay for groceries and rent (The fallacious nature of the equation of concern about money with "greed" is discussed in Nelson, 1999). People with financial responsibilities (however caring, competent, and vocation-oriented they may be) must, if they can, take jobs that pay wages sufficient to support themselves and their families.

So besides people who don't need the money, the other group of people in the low-wage pool will tend to be those who do need the money, but have no better alternatives. These people may or may not be caring at all. In the case of skilled nursing, these may be people who can achieve the minimum skills to keep their job, but who aren't likely to move elsewhere because they are on the lower end when it comes to such things as general intelligence, work habits, and organizational skills. Or they may enter the nursing profession because of preferential visa treatment or the fact that a subsidized education program offered them a way into a skilled occupation. These workers are willing to accept a low wage for nursing because their opportunity costs (in terms of jobs foregone) are low. While in the case of registered nurses the "low wage pool" has a floor related to skill and education, the implications of low-wage-pool issues are especially dramatic in the case of lesser-skilled health aides. Nursing homes and home health care agencies, for example, often are forced to draw on the *absolute* lowest-wage pool of workers to get minimum-wage aides and orderlies. People with very low education levels, recent immigrants, and non-English speakers are often hired into these low-status, heavy lifting, and often unpleasant jobs. On rare (but frightening) occasions, people may be attracted to health care occupations, whether well or ill-paid, primarily because they offer easier access to drugs or opportunities for abuse.

In addition to the earlier argument about the significant skills necessary for nursing, we can also add an argument based on the labor pool. Because skilled, caring, and able people need decent wages, it is quite possible — though empirical study would be needed to establish this definitively — that *higher* wages would attract a *higher* proportion of truly caring, quality, skilled workers. A reasonably high wage can *make it possible* for a caring (feeling) person to choose to train for an occupation that includes a significant caring (activity) component. Certainly, higher wages would at least give nursing educators and managers a broader pool to choose from; it is unreasonable to suppose that quality of care is completely unobservable by them.

Heyes cites an article that one of us co-authored in support of his argument (Folbre & Weisskopf, 1998). But that article focused on the supply of caring labor as a whole, emphasizing the importance of changing gender norms and the need for a new social contract. It did not argue against payment of higher wages for care service work. If one took Heyes'

argument to the extreme, the only way to get a fully vocational nursing labor force would be to rely on volunteers. By neglecting the fact that even highly vocationally oriented people need to support themselves, he fallaciously leaps from a individual-level analysis of the propensity to take a certain wage, all else equal, to unrealistic and unfounded conclusions about the population of the pool of workers who are available for work at low wages.

Crowding Can Be "In" as Well as "Out"

Heyes twice (2005) cites the work of Bruno Frey on the issue of "crowding out" of "intrinsic motivations" (such as vocation) by remuneration (identified as an "extrinsic motivation") (Frey as cited in Rabin [1998], Frey [1993]). The "crowding out" story was made most famous by Richard Titmuss's (1971) study of blood supply. It has been shown that, in some cases, paying people to do something they might otherwise do voluntarily can drive out their impulses to do the activity for their own pleasure, other's benefit, or other internally supplied reasons. While Heyes' own argument does not hinge on the crowding-out wage-motivation link, this story gives, of course, further apparent reinforcement to Heyes idea that paying nurses well is bad policy.

The more complete story, however, is that intrinsic motivations may be either "crowded out" or "crowded *in*" by remuneration. Frey actually found that external motivations like pay "crowd-out intrinsic motivation if they are perceived to be *controlling* and they *crowd-in* intrinsic motivation if they are perceived to be *acknowledging*" (1998, p. 444, emphasis in original). That is, if compensation is structured such that it shifts the perceived locus of control outside the worker, vocation can be dampened or extinguished. But if the remuneration is understood as an acknowledgment and appreciation of the worker's own intrinsic motivations, it can strengthen such motivations.

Such research suggests that overly regimented work and payment structures that treat nurses as "just a pair of hands" that have to be manipulated into producing the maximum number of shots and completed paperwork can, indeed, lead to reduced feelings of vocation. But the problem is not with payment itself. If high pay is given in such a way that nurses feel respected and rewarded for their care and professionalism, feelings of vocation can be reinforced and expanded. Akerlof's (1982) concept of gift exchange between employers and workers is relevant here: Nurses frequently make a gift of care to their patients, as well as providing them with the benefit of their extensive technical training and expertise. But if that gift is not recognized, and honored, they may begin to withdraw it.

"Crowding in," or complementarity between intrinsic and extrinsic motivation, can also be explained in terms of endogenous preferences. Following standard neoclassical assumptions, Heyes takes nurse's preferences and "vocation" as exogenously given. While he allows that poor working conditions may lead to low morale and to vocationally oriented nurses leaving their jobs, he does not allow for the fact that the level of respect or lack thereof that nurses find *expressed* in their paycheck may change their level of intrinsic motivation. For instance, a hospital administrator who explained to his nursing staff that, after reading Heyes' article, he had decided to pay them less, is likely to notice a reduction in both morale and retention. Nothing undermines altruistic preferences more than the fear that they will be taken advantage of by self-interested opportunists (Simpson, 2003).

Empirical Realities

The empirical reality is that current policies in both the United Kingdom and United States have failed to generate a sustainable supply of nurses. In both countries, reluctance to pay higher wages to nurses has contributed to increased reliance on recruitment of nurses from developing countries. Between 1999 and 2002, the number of foreign-trained nurses based in the United Kingdom doubled. In 2002, reflecting a growing trend, more nurses joined the UK nursing register from overseas than from educational institutions within Britain (Aiken, Buchan, Sochalski, Nichols, & Powell, 2004). In the United States, most immigrant nurses come from the Philippines; in the United Kingdom, most are from countries of sub-Saharan Africa. Given prevailing international differences it seems likely that foreign-trained nurses have a lower reservation wage — not a greater "vocation" for nursing — than their domestic counterparts.

The resulting brain drain imposes serious costs on developing countries that invest heavily in nurse education. Indeed, the South African nursing council has proposed an export tariff on nurses leaving to work abroad (Brush, Sochalski, & Berger, 2004). Global health care recruitment represents a profitable new arena for entrepreneurs who find ready clients among publicly funded health care institutions under pressure to cut costs. Meanwhile, many nurses, regardless of where they were trained, are susceptible to ever-greater demands in environments in which they have little control over the quality of care (Aiken, Clarke, Sloane, Sochalski, & Silber, 2002). These managerial practices do not encourage a vocation for caring. Indeed, it seems likely that they discourage young men and women from entering the nursing profession.

Conclusion

Heyes (2005) emphasizes the non-contractable dimensions of quality performance in nursing. But as a growing literature suggests, the quality of services can be difficult to measure in *many* occupations.

For example, consider the case of the pay of chief executive officers (CEOs) of corporations in the United States. In this case, consideration of the principal-agent problems involved in the relationship between the shareholders and the CEOs led to prescriptions that *raised* the financial compensation of many executives. Yet efforts to establish an empirical link between performance and pay have proved remarkably unsuccessful (Lavelle, 2005). Furthermore, the many major accounting scandals revealed in top corporations in recent years suggest that personal opportunism in the executive suite imposes huge costs on society as a whole.

High pay can attract opportunists in any job, with perverse implications for quality. Why should the selection effects of high wage levels be thought to be more perverse in nursing — where pay levels are generally moderate — than in top level managerial posts, where salaries far exceed average rates of return to equivalent levels of human capital? When will we see a piece entitled "Why Is a Badly Paid Executive a Good Executive"?

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Sidebar: Executive Summary

- Rebutting the argument by Heyes that lower wages attract better, "vocationally called" nurses, the authors
 invalidate this position on several grounds including existing research regarding the relationship between wages,
 retention, and patient outcomes as well as forces evident in the current nursing labor market.
- Simply put, the strength of "vocation does guarantee skill" and good nursing care hinges heavily upon clinical and technical knowledge.
- In addition, Heyes projects the possible decisions of an individual onto the entire labor market, ignoring the possibility that some caring nurses also need a well-paying job to support their families.
- Taking Heyes' assertion to an extreme, the best way to secure a fully "vocational" workforce would be to rely solely on volunteers to deliver patient care.
- While Heyes asserts that higher wages "crowd out" good nurses, he overlooks the evidence that wages, when used as a form of recognition, can "crowd in" good nurses.
- In reality, the lack of wage incentives in the U.S. is one factor leading to the labor shortage and the need for

recruitment of foreign-trained nurses.

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