

Fitting Human Capital to the Growing Healthcare Market of India

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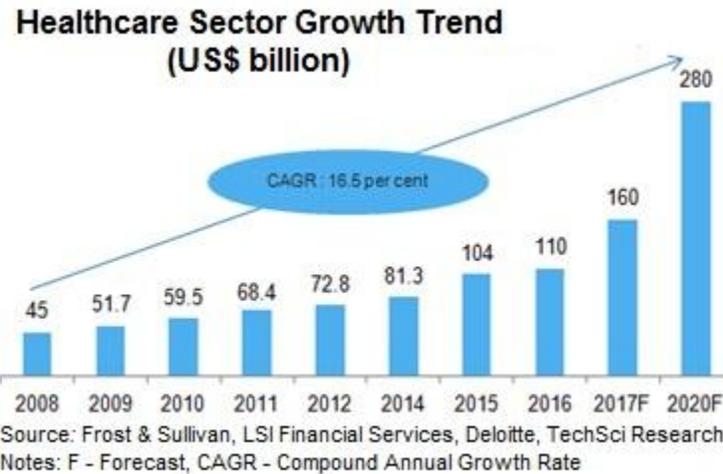
**Abstract:** *Healthcare is one of the fastest growing business sectors of the world. The Indian healthcare market is also not lagged behind. The healthcare industry has got huge potentiality in India. Broadly, the term healthcare includes hospitals, medical equipments, clinical tests, telemedicine, medical tourism, health insurance etc. However this paper confines itself to the hospital sector alone. The paper is based on secondary informations gathered from different sources. The informations were analysed to find out the importance of the Human resources in the healthcare industry. Healthcare organisations work to provide good quality, safe and increasingly patient-centered services through the staffing, maintenance and management of high-caliber employees. In healthcare sector the human resource is considered as capital. Infact, it is the prime mover of the healthcare system. Since the human resources play a vital role in the hospital industry therefore talent development in this sector should be one of the primary skill development approaches of this country. The skill development and education provided by the private sector should also understand the need of the hour and bridge the gap between the demand for and supply of human resources to the healthcare sector.*

**Key Words:** Challenges faced by hospital H R, growth of healthcare sector, human as capital, personnel management in healthcare.

Healthcare sector is one of the fastest growing business sectors of the world. The developing countries like India are also not lagged behind in this race. Broadly, the term healthcare includes hospitals, medical equipments, clinical tests, telemedicine, medical tourism, health insurance etc. However this paper confines itself to the hospital sector alone.

For the welfare nations like India the government is expected to provide the health care facilities to the people but as of now due to various reasons India has not reached this status. In recent times it is observed that both the private as well as public healthcare industry is growing in an incredible speed. It is expected that the total industry size will grow to US dollar 160 billion by 2017 and the same will rise to US\$ 280 billion by 2020. The compound annual growth rate (CAGR) expected during 2008-2020 is 16.5 percent (Exhibit;1).

Exhibit: 1



(retived from <https://www.ibef.org/industry/healthcare-presentation>)

As per the sources coated above the Indian healthcare sector is expected to register a compound annual growth rate (CAGR) of 22.9 per cent during 2015-20 to US\$ 280 billion. Rising income level, greater health awareness, increased precedence of lifestyle diseases and improved access to insurance would be the key contributors to growth. Indian private health care system accounts for country's 74% of total expenditure on healthcare.

Another important fact about the Indian health care system is that out of pocket investment is very high in India. It happens because of poor public health care system and very low coverage of health insurance in the country (Exhibit; 2).

**Exhibit: 2  
Percentage of out of pocket investment**

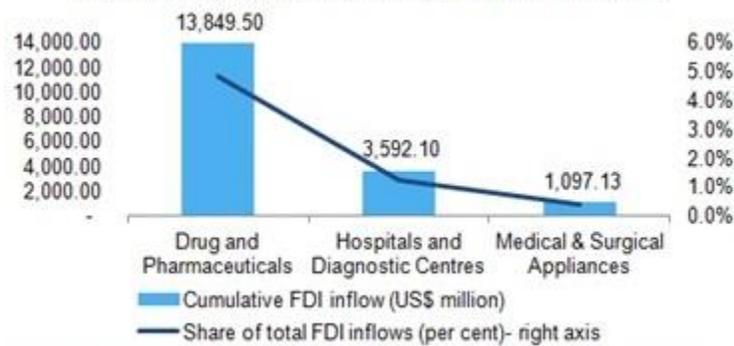
Countries	Out of pocket expenditure (in %)
Bangladesh	63.35
Pakistan	61.85
India	57.57
Sri Lanka	49.93
Nepal	49.24
Indonesia	45.35
Mexico	44.08
China	34.34
Brazil	30.95
World	17.87
European Union	13.71
U S	11.11
South Africa	07.18

Source: World Health Organization, OECD, World Bank, Suisse AG  
 (retrived from: <http://www.livemint.com/Politics/pHCS4KW8ZnFqIUqRlLVFN/Five-charts-that-explain-Indias-healthcare-crisis.html> )

India's public health expenditure is not just low, it is also regressive. The poorest income classes benefit less from the public health system than the better-off sections of society. In India 17.33 % of the poor people can avail the free public health care facilities where as 22 % of the higher income group can avail the free health care services. According to the WHO data, in case of availability of doctors and nurses it is found that against per 1000 people there are 0.7 % doctors available whereas against the same number of population the number of nurse is 1.1%.

By looking at the gap between private and public sector the foreign direct investment have also started to pour into the economy (Exhibit: 3). The policy of allowing 100% foreign direct investment is another factor of growing FDI in the private healthcare sector. Low cost of operation is considered as one of the reasons for high investment in private health care sector.

**Exhibit: 3**  
**FDI Inflows (From April 2000-March 2016)**  
**into the Healthcare Sector (US\$ million)**



Source: Department of Industrial Policy & Promotion, TechSci Research  
 Note: FDI – Foreign Direct Investment

(retrived from <https://www.ibef.org/industry/healthcare-presentation>)

Investment in private healthcare is going up too. The sector was the second favourite destination for foreign investment in 2013, receiving 27 investments worth \$181 million from the US. Overall, hospitals and diagnostics centres received an FDI of \$2191.91 million, while medical and surgical appliances (medical equipment) received \$741.80 million in the time period between April 2000-December 2013 according to the Department of Industrial Policy and Promotion. Apollo, Max and Fortis Medantacity etc international private hospitals are opening their branches in a very fast rate. Probably the North East India will be their next destinations.

According to the Ministry of Home Affairs revelation about 1.5 lakh tourists visited India in the year 2016 for medical treatment. This number is increasing year after year for which several multi-specialty corporate hospitals have grown in different parts of the country. According to the same data the trend has grown into double in last two years which is depicted in Exhibit: 4.

**Exhibit: 4**  
**Number of Foreign Tourists:**

Year	Number of foreign tourists
2014	76,608
2015	1,34,344
2016	1,76,683

Source: [www.tourmyindia.com/blog/india-witness-increase-medicaltourists/](http://www.tourmyindia.com/blog/india-witness-increase-medicaltourists/)

Instant issuing of E medical visa along with an attendant visa in the time of arrival is one of the recent steps that has increased the number of foreign medical tourists to our country.

**Status of Health care scenario:**

Early Indian rulers considered the provision of hospital care to the sick as their spiritual and temporal responsibility. The forerunners of the present hospitals of India can be traced back to the times of Buddha, followed by King Asoka. India had well organised healthcare delivery system even in the ancient times. The most notable of the early hospitals were those built by King Ashoka (273-232 BC). There were rituals laid down both for the attendants and physicians who were enjoined to wear white clothes and promised to keep the confidence of the patients. The modern system of medicine in India was introduced in the 17<sup>th</sup> century with the arrival of European Christian missionaries in South India.<sup>1</sup>

India is expected to rank amongst the top three healthcare markets in terms of incremental growth by 2020. As per data India was the sixth largest market globally in terms of size in 2014. Rising income levels, ageing population, growing health awareness and changing attitude towards preventive healthcare is expected to boost healthcare services demand in future. Till 2015, there were 196312 numbers of hospitals in India which is not a small number. Apart from that there are 156926 numbers of sub centres and 3601 Ayush hospitals in India. Private health care have strong presence in India. Growth of the hospitals in India is shown in Exhibit 5.

**Exhibit: 5  
Growth of Hospitals:**

Year	2005(in %)	2015 (in %)
Govt Hospital	34	19
Top Tire	26	40
Mid tire	14	11
Nursing Homes	26	30

([www.india-opportunities-es>publicacions](http://www.india-opportunities-es>publicacions))

But the problem lies with the World Health Organisation’s report of 2012 which said that in India only 26% of healthcare professionals were available to address the needs of 72% of the country’s population.

**Service Sector Organisations and healthcare:**

Service sector companies often need to differentiate themselves by establishing their business as experts in their particular niche. Often service companies tend to provide a commodity service offered by many similar outfits. To differentiate themselves as the specialists in their field, they attempt to manufacture a distinction for themselves, often by stating they have a particular expertise or a unique approach to meeting challenges and opportunities in their sector. Increasingly, this expertise is communicated in blogs or newsletters. H R has now a chance again to prove their value creation role in the service sector and corporate, only if it understands what it needs to do now. Some of the basic strategies should be followed by the H R manager/ corporate managers i.e. reduce administrative and establishment costs, hold large bonuses and reward payments, create participative forum for dealing with the difficult times ahead, retaining top talents should be emphasised by the H R managers to the management and H R managers need to network with fellow managers to find out how best to visualise

<sup>1</sup> Khan, F. M., Khan, H., Management Of Superspeciality Hospitals, Deep and Deep Publications Pvt Ltd.

the problems and try to solve them. HR needs to be proactive and come up with early interventions as for any organization to survive during recession; the ability to retain its best people is must.<sup>2</sup>

Being a service sector business the hospitals also need to follow the same strategies like other counterparts of the service sector. In health sector what we need to understand is that the human resource is considered as capital. Infact, it is the prime mover of the health care system.

. The human resources in the hospital sector are far more different than the human resources employed in the manufacturing sector. Human Resources in hospitals show certain unique characteristics.

- Intangibility: The services provided by a doctor, a nurse or any other medical person cannot be touched or felt like the other services provided by a motor car or an air conditioner or other manufactured products.
- Heterogeneity: The services provided by the medical practitioner are never homogenous. Two doctors or two nurses may have exactly similar professional degrees, may be of same age and gender yet their services are very different. This difference is all about the creation of human capital.
- Inseparability: The services provided by a doctor or a nurse cannot be separated from them. When they provide the service the clients consume it and in their simultaneous participation service quality is determined.
- Perishability: Medical services cannot be stored like the manufactured products. Medical services are rendered at a point of time by set of professionals. If they do not or cannot sale it on time then it is perished and that particular amount is lost forever, earning is also lost.

The aforesaid nature of medical services signifies how important is the human resources for a hospital organization. Success of any hospital depends on the competencies, experiences, qualification and the honesty of the medical professionals. Since medical is a highly customized service therefore the versatility of the professionals regarding their working style is very important.

#### **The private healthcare system has its own niche:**

The private hospital market in India is estimated at USD81.0 billion at the end-of 2015. During 2009–15, the market size of private hospitals is estimated to have a CAGR of 24.2 per cent (Exhibit: 6).

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<sup>2</sup> <https://www.questia.com/library/journal/1P3-3960553121/human-resource-management-in-service-sector-an-indian>

**Exhibit: 6**  
**Market size of private hospitals (USD billion)**

Year	Annual Compound Growth Rate (ACGR)	Annual Compound Growth Rate (ACGR)
2009	22	24.2%
2010	29.9	
2011	35.4	
2012	45	
2013	**	
2014	54	
2015	81	

Source: WHO statistical Information System, Indian Chambers of Commerce, Yes Bank, TechSci Research (retived from [www.india-opportunities-es>publicacions](http://www.india-opportunities-es>publicacions))

Although the hospital services are very essential for the welfare of a civilised society yet in our country its supply is not ensured by our government. Here still a notion is prevalent that the services provided by the government hospitals are not as good as are provided by the private nursing homes.

According to R.C. Goyal- “Private nursing homes are generally owned by an individual doctor or a group of doctors. They admit patients suffering from infirmity, advanced age, illness, injury, chronic disability, etc. or those who are convalescing, but they do not admit patients suffering from communicable disease, alcoholism, drug-addiction or mental illness. There is however, no uniform definition for nursing homes. The phrase may refer to out of home care facilities that offer a range of services similar to many found in hospital. These nursing homes are run on a commercial basis. Naturally, the ordinary citizen cannot usually afford to get medical treatment there. However these nursing homes are becoming more and more popular due to the shortage of government and voluntary hospitals. Secondly, wealthy patients do not want to get treatment at public hospitals due to long ques of patients and the shortage of medical as well as nursing staff leading to lack of medical and nursing care.<sup>3</sup>

Due to its uniqueness, working with the health care system is very sensitive task. Some Unique features of health care organisations are –

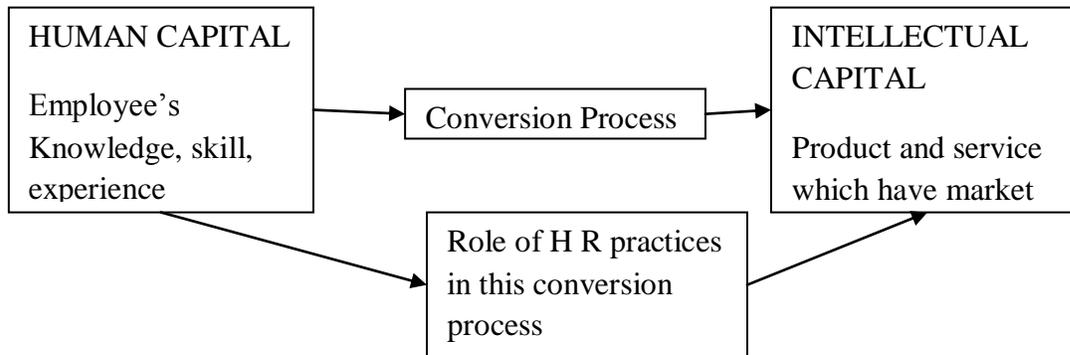
- Defining and measuring output is difficult.
- The work involved is felt to be more highly variable and complex than in other organisations
- Much of the work is of an urgent and non deferrable nature.
- The work permits little tolerance for ambiguity or error
- Activities are highly interdependent, requiring high degree of coordination among diverse professional groups.
- The work involves an extremely high degree of specialisation.
- Hospital personnel are highly professionalised, and their primary loyalty belongs to the profession rather than to the organisation.
- There exists little effective organisational or managerial control over the group most responsible for generating work and expenditures: physicians and surgeons.

<sup>3</sup> Goyal, R.C., Hospital Administration and Human Resource Management, Prentice Hall India, Delhi.

- In many hospital organisations, there exist dual lines of authority, which create problem of coordination and accountability and confusion of roles.<sup>4</sup>

In healthcare organisations, the human resource plays a great role in the organisational delivery process. The human resources, what we call human capital have to be converted into an intellectual capital.

**Exhibit: 7**  
**Conversion of Human Capital into intellectual Capital**



Source: people.bath.ac.uk/mnsnik/HRM%20in%20the%20ss/HRM in S Sreview.ppt

Healthcare organisations work to provide good quality, safe and increasingly patient-centred services through the recruitment, retention and management of high-calibre employees. This is challenging to achieve, due to the complexity of health services, and the increasingly globalised market for healthcare professionals. Beyond quality concerns, salary costs can account for up to 70 per cent of healthcare expenditure. Managing people is therefore a cornerstone component of delivering effective and efficient healthcare. This means that interventions to improve people management are of sustained and significant interest to national and organisational stakeholders – as well as to patients and employees.<sup>5</sup>

**Evolution of Hospital H R M in India:**

Hospital administration is not a very new concept in India. The inheritance of the hospitals can be traced back to the days of Samrat Asoka. The people who have the experience of visiting hospitals in the time of British often praise the ways how they have kept the hospitals. But the importance of H R began very late which can be traced back to the year 1920 (Exhibit: 8).

<sup>4</sup> Chandra Sekhar, S. F., Hospital Organization Structure, in Managing a Modern Hospital Ed. A. V. Srinivasan, Sage Publication, New Delhi

<sup>5</sup> Aoife M. McDermott, Mary A. Keating, (2013) "Managing people to manage care: from patient to people-centredness at OBHC 2012", Journal of Health Organization and Management, Vol. 27 Issue: 3, doi: 10.1108/jhom.2013.02527caa.001

**Exhibit: 8**

**Evolution of Hospital H R M functions in India**

Period	Status	Emphasis
1920-1939	Clerical	Statutory, welfare, paternalism
1940-1969	Administrative	Introduction of rules, procedures etc.
1970-1989	Managerial	Regulatory conformance, imposition of standards
1990 continuing	Executive	Human values, productivity through people, employee commitment

Source: S. F Chandrashekhar Human Resource Management in Hospitals

**Objective of H R M system in Hospitals:**

The broad objective of the H R M is to contribute towards realization of the Hospital's goal. The specific objectives are to:

- Achieve and maintain good human relations within the hospital
- Enable each employee to make his/her maximum personal contribution to the effective working of the hospital.
- Ensure respect and the well being of the individual employee.
- Ensure maximum development of the individual and to help him or her to contribute his/ her best to the hospital.
- Ensure the satisfaction of the various needs of individuals in order to obtain their maximum contribution to achieve the hospital's goal<sup>6</sup>

**Category of Hospital Personnel:**

The human resources that work in the hospitals perform in various capacities. Some are technical and some are non technical. Now a days there is one more category of employees in hospitals who look into the matters related to management and other administrative activities (Exhibit: 9)

**Exhibit: 9**

**Category of Hospital Personnel**

Hospital Personnel					
Doctors	Para Med Staff	Nursing Staff	Technical (Gen) Staff	Management Staff	
Senior Junior General Specialist Medical Surgical Therapist	Medical Technician, Dieticians, Pharmacist	Head Nurse, Asstt. Head nurse, Staff Nurses, Practical Nurses, Ward or Unit Helper	Power Water Construction Communications Fire Equipment	Top Medium Low level	level, level, level
Categories					

Source: Jha, S.M., Hospital Management

<sup>6</sup> Chandra Sekhar, S. F., (2008), Human Resource Management in Hospitals, in A V Srinivasan Ed Managing a Modern Hospital, SAGE publication

Hospitals being a part of service sector are always highly dependent on its employees. The employees working in the hospital sector can be termed as knowledge workers. From entry to exit the hospital employees need several kinds of attentions from their employers which is cited by Agarwal et al, as eight key HRM issues which need attention in Indian hospital management environment---

- a. Job description
- b. Recruitment
- c. Compensation
- d. Training and Development
- e. Performance Appraisal
- f. Promotion and Reward
- g. Career Planning
- h. Gender Equality<sup>7</sup>.

While dealing with hospital employees, a hospital generally go through the stages of acquiring and retaining of the employees and the process ends with natural or unnatural exit from the hospital. This transition of phases is generally described with the following H R terminologies (Exhibit: 10)

**Ehxitbit:10  
Hospital Personal Management Activities**

<b>Human Resource (Employee)→</b>	<b>Acquire →</b>	<b>Retain →</b>	<b>Exit →</b>
Manpower Planning Recruitment Selection Orientation		Performance appraisal Employee Placement Training and Development Discipline Compensation administration Benefit Administration Employee Assistance Career Counseling Health and Safety	Pre retirement counseling Exit interview Out Placement
 <p><b>Feedback</b></p>			

↑  
**Health Services Delivery and Legal Environment**

Source: Robbins, S.A., Rakich, J.S., Hospital Personnel Management in the late 1980s: A Direction for the Future in K Darr, J S Rakich (Eds.) Hospital Organisation and Management Text and Readings

**Challenges facing Indian healthcare:**

In India more numbers of doctors work in urban areas whereas only 30 % of the population live in Urban areas. India has a ratio of 0.7 doctors and 1.5 nurses per 1,000 people compared to the WHO's ideal average of 2.5 doctors and nurses per 1,000 people. The lack of skilled professionals is one of the

<sup>7</sup> Agarwal, A., Garg, S., Pareek, U., *Strengthening Human Resource Practices in Health-care in India: The Road Ahead, Journal., Indian Academy of Clinical Medicine, Vol 12, No1, January March 2011*

major challenges for the Indian health care industry. In rural and semi-urban areas a lot of practitioners are working without qualifications. Medical education is a very costly affair hence some bright students are unable to acquire this education. Furthermore, India has an acute shortage of paramedical and administrative professionals also. According to the recent study findings by Public Health Foundation of India for Ministry of Health and Family Welfare the total skill gap is approximately 97.9% across various health workforce categories. Radiography and imaging alone accounts for 88.7% of this gap amounting to a huge shortage of medical laboratory technicians. The demand for such professionals is very high and the states like UP, Bihar, Maharashtra, Andhara Pradesh, West Bengal, Assam, Gujrat, and Delhi show the absence of resources.

As per study, amongst states having the widest gaps in health manpower is Uttar Pradesh. Maharashtra comes second with 5.65 lakh less paramedics and Bihar third with 5.28 lakh shortfall. While West Bengal has 4.62 lakh less health workforce, there is a shortage of 4.22 lakh health professionals in Andhra Pradesh and 3.68 lakh less allied health professionals in Tamil Nadu.<sup>8</sup>

### **Unemployable Workforce:**

It is commonly experienced that employees are lacking in their core capability areas, and it is rising year by year. Employers are continuously re-strategizing their plans to deal with the talent shortage, whether it is for long or short term. To meet this deficiency, the immediate task before the healthcare industry is to manage the available resources at most favourable level on priority basis, only then will we be able to bridge the gap between the demand and supply of workforce engaged in health sectors. For private hospitals, the first challenge before the HR remains how to identify the skilled and experienced manpower and impart need-based training, and next, is to retention them.

Study reveals that by 2020, we will need 2.5 million hospitals, one million doctors, two million nurses and 10 million paramedics. We may attribute the shortage of workforce to different reasons, and certainly the high demand of experienced health workers in developed countries is adding salt to wound because they offer better pay-packages, professional growth and excellent living conditions. At any stage, neither can we shorten degree and diploma courses of health workers, nor can we open-up more institute more to fill the gap. Therefore, it becomes inevitable to have effective HR strategies in place to coach, mentor, counsel, and prepare successors to retain the manpower. Predominantly, depending upon the nature of skill-sets the institution invokes, an employee has to be alert on the following: Adaptability and Flexibility, Critical Thinking and Problem Solving, Leadership, Professionalism and Work Ethics, Teamwork and Collaboration, Computer Knowledge, and Communicative English (we call soft skills).<sup>9</sup>

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<sup>8</sup>: <http://health.economicstimes.indiatimes.com/news/industry/skill-gap-a-wake-up-call-to-healthcare-industry/46736989>

<sup>9</sup> <https://www.linkedin.com/pulse/shortage-skilled-manpower-health-care-sector-seize-dr-k-d-samal>

### Conclusion:

The healthcare industry has got huge potentiality in India. As this sector considers human as one of the prime movers of business, therefore setting a different outlook towards this aspect has become very important. Since the human resources play a vital role in the hospital industry therefore the govt. should make it one of the primary skill development approaches of this country. The skill development and education provided by the private sector should also understand the need of the hour and bridge the gap between the demand for and supply of human resources to the healthcare sector. Then only the human can be best placed as capital to the growing healthcare market of India.

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