How will the financial crisis affect health?

Global recession is likely to damage our health as well as our wealth, but it also offers an opportunity to build a more equitable economic model as Michael Marmot and Ruth Bell explain in light of the G20 summit.

The financial crisis intrudes daily from the newspapers. The breakfast table is littered with quantitative easing and credit-default swaps, stimulus packages, and bank bailouts. But is there a link between the financial crisis dominating the front page and the health stories on the inside? The Commission on Social Determinants of Health certainly believed so. Its starting point was that the economic and social features of society are closely linked to the distribution of health within and between countries. The social determinants of health are the circumstances of daily life—the conditions in which people are born, grow, live, work, and age—and the structural drivers of those conditions (unfair distribution of power, money, and resources). Both the conditions of daily life and the structural drivers will be influenced by the financial crisis.

Will there be no money?

We cannot improve the living conditions of people who are disadvantaged without money. Globally, nearly 1 billion people live in slums. In the Indian city Ahmedabad, it cost $500 (£350; €380) a household to make minimal improvements for people living in slums. Scaling up, it would cost $100bn to upgrade the world’s slums. A few months ago we wondered who would find such an outlandish figure for anything? But more than $5 trillion has been found to bail out the financial sector in rich countries. Clearly there is money for investments judged to be important.

The crisis started in the high income countries but has not stopped there. Five billion people in low and middle income countries are at risk. Nancy Birdsall, president of the Center for Global Development, estimates that developing countries will need $1 trillion over the next couple of years to pay for bank rescues, fiscal stimuli, and to maintain minimal social safety nets.

The financial crisis can be taken as giving no options other than to cut back on all spending. President Obama, acting in the tradition of John Maynard Keynes and Franklin Delano Roosevelt, has taken the opposite view. It is time to provide liquidity and to stimulate the economy. But not just that. The economy can be stimulated by investing in measures that improve quality of life.

The financial crisis is hitting the real economy with great force. Will that matter for health? It might. In the English Longitudinal Study of Ageing wealth, apart from income, was a potent predictor of ill health. How much this association between wealth and health has to do with absolute levels of economic wellbeing and how much to relative position is debatable. If it is relative position, there will be winners and losers with consequent effect on health; if it is absolute level, people close to the poverty margin are likely to suffer most.

The effects on health of an economic downturn can be rapid. In South Korea during the Asian monetary crisis of the late 1990s there was a sharp rise in suicide, although overall...
mortality continued to decline. In Russia, after the collapse of the Soviet Union, life expectancy fell steeply, and it fell again with the rouble crisis of 1998.

Unemployment, job insecurity, and the lack of a living wage all have an important effect on health. The International Labour Organisation predicts that the global unemployment rate will rise from 5.7% in 2007 to somewhere between 6.1% and 7.1% in 2009. This corresponds to an increase in the numbers of unemployed by between 18 million and 51 million people. Studies on unemployment and mortality in Britain in the 1970s and 1980s showed that unemployed people had a mortality rate 20% to 25% higher than average for people of the equivalent socioeconomic group.

In rich countries unemployed people are protected from absolute deprivation by social safety nets. Not so in developing countries. No work means starvation and destitution. People scrabble for any work no matter how appalling the working conditions or how low the remuneration. The economic crisis will therefore show up not only in a rise in unemployment but also in the numbers of working poor and vulnerable workers (self employed or unpaid contributing family workers). The estimates again vary depending on the degree of pessimism about future projections of the economic downturn. Taking the new World Bank definition of extreme poverty as $1.25 a day, globally the number of working poor is set to rise to between 700 and 800 million workers, an increase of 200 million workers. The economic downturn means that, increasingly, work will not be the route out of extreme poverty and consequent ill health. The losses in cognitive, emotional, and physical development for children growing up in extreme poverty and the consequent effects on health and wellbeing across the life course are potentially enormous.

The proportion of people globally in vulnerable employment has been falling. The economic crisis is likely to reverse this decline, with more than half of workers predicted to be in vulnerable employment in 2009. These vulnerable workers are more likely to lose employment and be left in poverty than other workers. The mere presence of job insecurity worsens health in addition to the effects of unemployment.

External events have greatest effect on those who are most disadvantaged. Whether war and conflict, a tsunami, heat waves in Europe, or the general impact of climate change, the degree of effect seems to be related to people’s socioeconomic position. In Britain, in the early 1980s mass unemployment affected manual workers more than those with more education in white collar jobs. It seems likely to be the same this time. It is not difficult to predict whether the former banker or the former Woolworths employee will find it hardest to meet basic needs. Globally, the effects are even more plain. It is workers in low and middle income countries whose lives are likely to be most affected by the economic downturn. What can we do?

New global model

Apologists for the global economic order in place since the 1980s pointed to global economic growth, the fall in the global poverty head count (mainly made up of a fall in China), and rapid economic growth in China, India, and many middle income countries. It was assumed that markets need to be set free, and their beneficial effects would trickle down to the most vulnerable. Critics pointed to the shortcomings in this model. Globalisation has its downsides but can be made to work if operated differently from the model that puts unregulated markets, privatisation, and less public action at the centre. Markets, though crucial, need to be regulated, and their failure to deliver global public goods and protect the environment must be addressed. We cannot afford to go back to the situation we were in before the crisis. There are three interconnected problems that need solutions: growing inequalities within many countries, global inequities in social conditions and health, and the urgent problem of climate change and environmental degradation.

A model predicated on global economic growth with consequent rise in greenhouse gases and the obscene income inequalities we have seen within and between countries cannot be justified on moral grounds. Given the current state of affairs, globally, it cannot be justified on pragmatic grounds. It is time for a new plan that has equity at its heart.

Take trade. The way global trade arrangements have been organised has adversely affected poor and vulnerable people. But the global decline in trade has also had disastrous effects on those dependent on trade. The solution to the problems of unfairness caused by trading arrangements is not protectionism, with each country going its own way. It is a set of trading arrangements that take all countries’ interests into account—that have health equity impact assessments. As a starting point G20 looks a better bet than G8 as a global forum, but that still leaves more than 170 countries not represented. The financial crisis gives us the opportunity to bring social justice and environmental concerns to bear on the kind of new global economic order that must be put in place.

In its communique, released after the London 2 April meeting, the G20 said that major failures in the financial sector and in financial regulation and supervision were
Commentary

Look after the pennies

The economic crisis means that rather than ask for more money for health, we are going to have to be more careful how we spend it, says Andrew Jack

As international political leaders left London’s G20 meeting last week, their concluding communique offered a few bright spots for the health of the world’s poorest, but only an indirect nod to Michael Marmot and Ruth Bell’s call to highlight the dangers of the global economic crisis on health. With the global economy contracting sharply, there will certainly be an overall negative impact on health, to which the latest pledge of a fresh $1.1 trillion in lending offers only a little palliative care. Government, consumer, and philanthropic spending alike are under pressure; unemployment is rising, as is work related stress for those still with jobs (including in the health sector); and remittances are down from migrant workers, a vital source of non-official aid to those on lower incomes.

Variable effects

While troubling, the consequences for health will be highly nuanced between countries and among different groups of individuals, and will vary over time. The new pressures should be a spur to fresh thinking on how best to spend scarce resources over the next few years. Studies of previous financial crises—notably in Asia—have shown that short term reductions in basic health services such as child immunisation have contributed to rising infant mortality; while the overall impact of a downturn can affect mental health and wellbeing.

Calling for substantial extra financial support to the vulnerable, the World Bank recently cautioned that at least 400 000 additional children could die each year as a result of the current crisis. The European Union’s health commissioner has warned of the need for vigilance by national ministers of health to avoid a drop in provision and a reduction in spending on prevention that brings long term consequences. The effect will partly depend on the nature and robustness of healthcare systems. In Europe and richer regions with public provision, patients are relatively shielded in the short term. In the United States, the world’s biggest economy and largest healthcare market, in which up to 47 million people have no medical insurance, there have been anecdotal reports of patients not filling their prescriptions or delaying visits to doctors. So far, proxy indications of the impact on health in the industrialised nations have been muted. The large drug companies, for example, have reported no notable or sustained drop in demand for their medicines since the start of the crisis last autumn. In the longer term, the risks are greater as more people in the US lose their jobs and their insurance cover and the burden increases of copayments for treatment not completely covered by health policies. In many countries, more innovative programmes, including efforts to boost prevention, may be stalled.

In the developing world, however, where public healthcare provision is weak and out of pocket spending often dominates, the danger even in the short term is much greater. Governments in poorer and emerging economies may reduce health spending in response to new pressures, and richer donors may also reduce their important support. The UK has insisted that it will maintain long term aid pledges. Yet there are indications that countries such as Italy and Ireland may scale back international development assistance as they cope with their domestic crises; and there are broader concerns over how to sustain the fast growing pledges of recent years to agencies such as the Global Fund to Fight AIDS, Tuberculosis and Malaria.

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As Marmot and Bell point out, the crisis has highlighted that while the sums sought in the Commission on the Social Determinants of Health report seemed unattainable a few months ago, far larger amounts of money have since been made available for the bailout of the financial sector, as well as car manufacturers and other struggling industries. The good news is that in recent weeks, many Western leaders have indeed shown determination to boost spending in order to limit the fall-out of the crisis. In the US, Barack Obama's proposals even include large sums to extend healthcare coverage and stimulate a more efficient and effective healthcare system.

The bad news is that—as the recent debate around the G20 meeting has shown—the scope for extra support may be reaching its limits, given concerns over the huge debt burden it imposes on future generations. And the ability of poorer nations to match the fiscal stimulus of the rich is extremely limited.

While bailing out the banks that helped create the current crisis—and the bankers who have continued to pay themselves large bonuses—may seem distasteful and badly managed, the rest of the global economic system is so dependent on financial institutions that they require special attention. The alternative, a still greater risk of international meltdown, would have worse consequences, including for health.

In global health, there is need for a fresh debate over vertical disease programmes that have diverted resources and medical staff and weakened primary healthcare systems; the domination of the “big three” infectious diseases of AIDS, tuberculosis, and malaria at the expense of the neglected but still debilitating ones like schistosomiasis, let alone chronic disease early treatment and prevention programmes. There will be painful trade-offs ahead, such as the pressure to continue increasing access to antiretroviral therapy (which once started is morally difficult to stop) at the expense of strengthening HIV prevention programmes to prevent new infections.

One glimmer of hope for health in the developing world comes from continued discussions around innovative financing mechanisms. The Global Fund’s Red and other initiatives have attempted to tap public interest in health, triggering payments directly by consumers. The Global Alliance on Vaccines and Immunisation, for instance, is moving ahead with fundraising through the International Finance Facility on Immunisation (IFFIm). Championed by Gordon Brown, it “front loads” aid donations by raising money in the capital markets for vaccination now, backed by governments’ promises to pay back from development assistance in future years.

In cooperation with HSBC, new money is being raised in the UK with support from retail investors backed by those same government aid pledges. Political leaders are currently discussing extending IFFIm to strengthening health systems. They are also talking about other approaches, including an expansion of the French government led Unitaid, the agency funding medicine purchases with money raised from airline taxes.

But with so many constraints on spending, and so many other important causes in need of support, the health community will have to do more to share the pain ahead. After a period of substantial growth in funding, there must be renewed attention to efficiency, including in less glamorous but vital areas such as pooled procurement of drugs to negotiate better prices in the developing world, and more sophisticated logistics and supply chain management to ensure they reach remote patients.

As a meeting in London at the end of March hosted by GAVI and the International Business Leaders Forum highlighted, that will require more “hybrid” work that brings the public, private, and non-profit sectors together in the development and delivery of existing and new public health tools. Business expertise—and the scope for highly skilled volunteers left underemployed or unemployed by the crisis—should be tapped more aggressively, rather than simply seeking corporate donations.

The new climate requires far greater cooperation between donors, combining resources to operate joint programmes, sacrificing duplicative and time consuming reporting requirements and a selfish obsession with planting their own flags on projects. It demands restructuring and greater collaboration between implementing agencies, including non-governmental organisations working in the field. It also requires greater rigour, transparency, and an insistence from donors to seek greater accountability through independent assessments of how well their money is being spent. A recent study on UNAIDS, for instance, argued the need for more focus on evidence based techniques in its spending.

Ultimately in global health, while the financial crisis may not have been their doing, it will require greater effort by middle income and poorer countries themselves, which are currently often spending a far smaller proportion of their government budgets on health than international norms justify.

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