Tipping the scales

Exploring austerity and public health in the UK

Health and care
Carers
Community
Public finance
Connections
Inequalities
Retirement
Social care

About the ILC

The International Longevity Centre UK (ILC) is the UK's specialist think tank on the impact of longevity on society. The ILC was established in 1997, as one of the founder members of the International Longevity Centre Global Alliance, an international network on longevity. We have unrivalled expertise in demographic change, ageing and longevity. We use this expertise to highlight the impact of ageing on society, working with experts, policy makers and practitioners to provoke conversations and pioneer solutions for a society where everyone can thrive, regardless of age.

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Summary

This report is part of a series of country profiles outlining the situation of public health in four key countries particularly impacted by the fallout from the financial crisis. The series is a follow-on from the ILC report *Public health in Europe during the austerity years*, which explored the link between health outcomes and austerity across Europe. Focusing on the situation in the UK, Greece, Spain, and Ireland this series explores the economy and public health of each country during the austerity years.

As the second largest economy in Europe and a major centre of finance, the UK was heavily afflicted by the financial crisis. In 2010, the incoming Coalition Government adopted austerity measures as a means of controlling the escalating budget deficit.

This report finds that the percentage of the population reporting good health fell significantly during the austerity years.

Health spending in the UK was protected from severe budgetary cuts during the austerity years. In fact, health spending per head was 26% higher in 2015 than it was in 2010.

Although the National Health Service (NHS) managed to avoid significant budget reduction, cuts in other areas of social spending indirectly affected public health in the UK.

For example, cuts in social care and housing spending are likely to have a negative impact on health outcomes for individuals as well as increase long term pressures on the healthcare system.

Whilst short term trends in mortality rates in the UK seem unaffected by the recession or adoption of austerity policies, the reality is that the full impact of these trends may not be seen for many more years.

Introduction

The global financial crisis of 2007-2008 was followed by many European nations turning to austerity measures as a means of controlling public deficits and debt levels. The merits of austerity continue to be discussed and debated, particularly in terms of supporting economic growth and controlling spending. However, the impact of austerity on health has received less attention, including at the international level.

Given that austerity measures are arguably the defining feature of recent government policy, this gap in the evidence base is significant. The future trajectory of health is one of the most important determinants of long-run fiscal sustainability, with future expenditure expected to rise dramatically due to demographic, technological, and other cost pressures.[1] Understanding how to deliver sustainable health systems is therefore an important area of work.

In 2017, ILC published *Public health in Europe during the austerity years*, a research report exploring the link between health outcomes and austerity across Europe. This report examined cross-national data and evidence to chart the evolution of austerity across the continent and the subsequent changes to health systems and health outcomes. The findings from the report include:

- Mortality rates continued to improve during the austerity years, but the rate of improvement slowed across many countries – particularly the Northern European countries. This translated into a slowdown in life expectancy improvements during the austerity years.
- There is a multifaceted, short-term relationship between unemployment, austerity and health. High austerity countries experienced smaller increases in some mortality indicators and smaller falls with regards

to other causes of mortality than modest austerity countries.

- These effects are relatively small, suggesting that austerity has not had much of an impact on mortality rates in either direction. For a fuller picture, a longer-term, distributional analysis of the effects of austerity is required that considers the prevalence of chronic disease rather than just exploring cause-specific mortality rates.

Taken together, the findings in the research offer three fundamental points to remember as we think about the future of austerity and health:

- Health is arguably the most important asset to ensure a sustainable future; healthy ageing supports longer working lives and reduces potential health care costs over an individual's lifetime.
- Whatever further changes to health and social security systems that are made in the short term due to continued spending pressures must not save costs today while storing up problems for the future.
- The drive for efficiency in public services is a noble goal, but efficiency must equate to continual progress in health and other quality of life outcomes; otherwise it is tantamount to failure.

The report also included brief spotlights on the situation in four key countries that had been particularly impacted by the fallout from the financial crisis: the UK, Greece, Spain, and Ireland. This investigated the potential distributional effects within countries that could be included in a macro-level cross-country analysis. To build upon this, we have produced brief country profiles for these as part of a series of supplementary documents outlining the situation in such countries with respect to the economy and public health during the austerity years.

Austerity in the UK

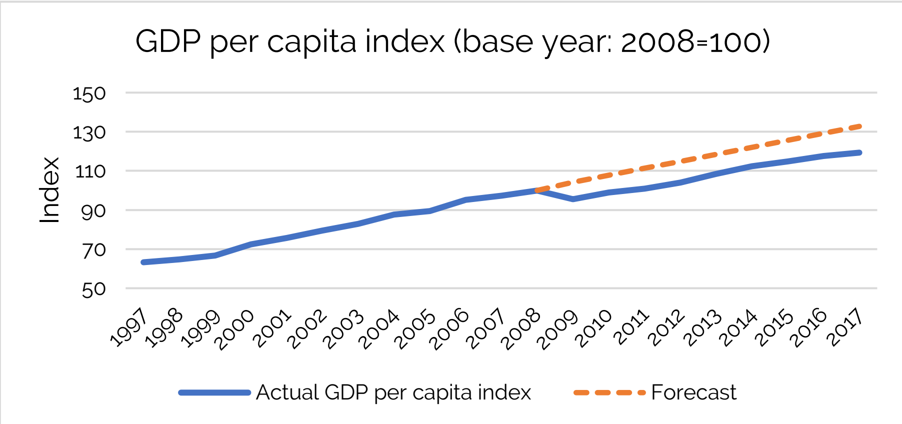
As the second largest economy in Europe and a major centre of finance, the UK was heavily afflicted by the financial crisis. With the prospect of the collapse of major UK banks, government bailouts were a necessity, which had repercussions for the national budget. As an EU Member State with its own currency, however, the UK was mostly shielded from the financial impacts of the eurozone crisis that began in 2009. Still, the broader repercussions from the financial crisis included:

- Bank insolvency became widespread, and major banks in the UK, including the Royal Bank of Scotland, required governmental assistance.[2]
- The Bank of England proposed a £500 billion bank rescue plan to nationalise the failing banks temporarily.
- The Bank of England reduced interest rates by 0.5% in October 2008, but a lack of liquidity among financial institutions reduced access to credit.[3]

In 2010, the incoming Coalition Government adopted austerity measures as a means of controlling the escalating budget deficit. The then-Prime Minister, David Cameron, claimed that "the age of irresponsibility is giving way to the age of austerity".[4] Although the National Health Service (NHS) managed to avoid significant budget reduction, cuts in other areas of social spending indirectly affected public health in the UK.

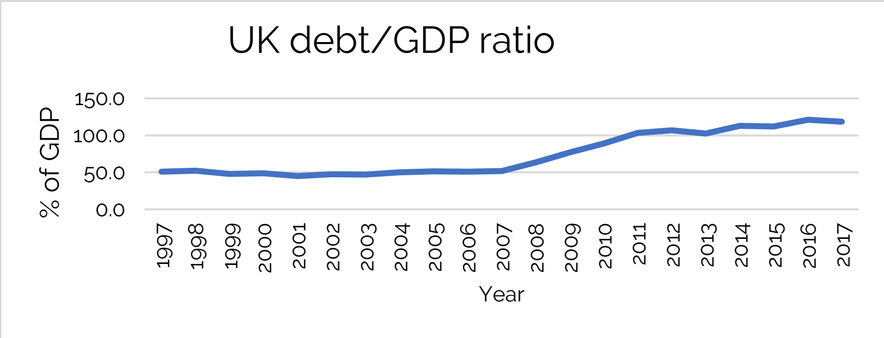
The economy through the austerity years

The financial crisis aggravated a general economic downturn, leading to a deep recession. GDP per capita grew across the period 1997-2017 with a temporary drop of five percentage points between 2008 and 2009. The decline only occurred in this year, although GDP per capita was still lagging three years behind what it would have been had the financial crisis not happened.



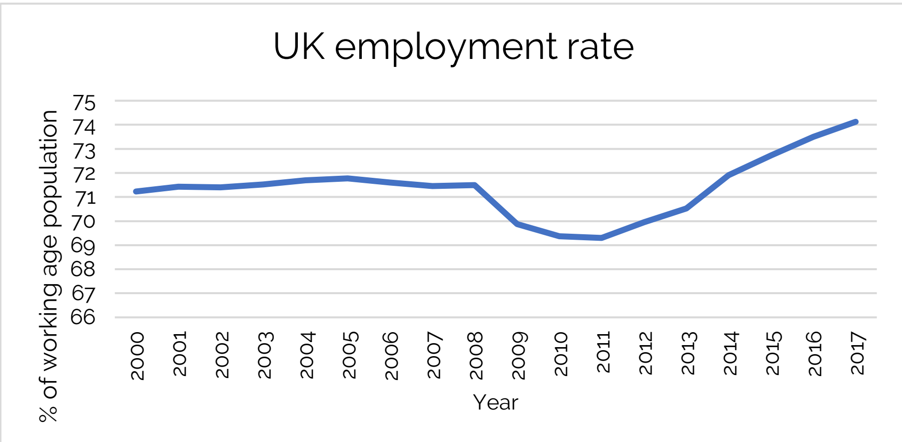
Source: OECD

Despite growth only temporarily being halted, a reduction in debt was not realised. Government debt remained at a sustainable level between 45% and 52% of GDP between 1997 and 2007. After that, it increased to over 100% of GDP by 2011, and reached a 20-year high of 120% of GDP in 2016.



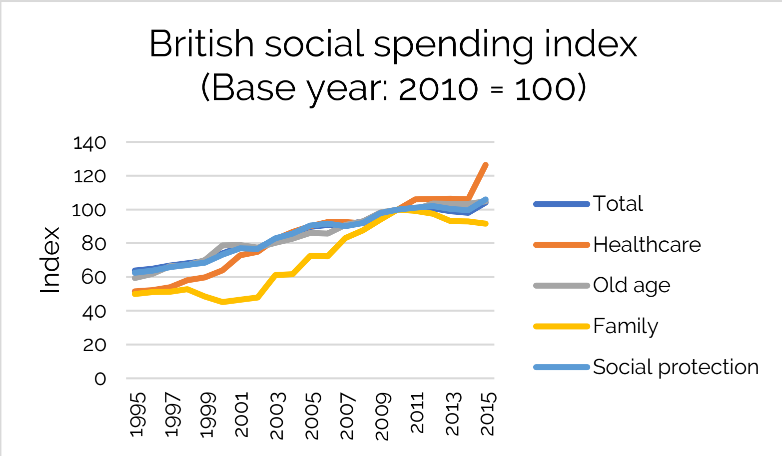
Source: OECD

Prior to the financial crisis, the working age employment rate was just above 71%, but it dropped by 2.2 percentage points between 2008 and 2011 and took a total of six years to return back to 2008's level of 71.5%. The rate has been steadily rising since 2011, exceeding the figures during the 2000s since 2014.



Source: OECD

Health spending was broadly held constant and saved from any severe budgetary cuts during the austerity years, and health spending per head was 26% higher in 2015 than it was in 2010 (though much of the observed increase occurred between 2014 and 2015). In other areas of spending, there were lower levels of growth and, in some areas, declines compared to the levels in 2010.



Source: Eurostat

As health spending did not experience significant cuts during the austerity years, other areas more clearly demonstrate the impact of budgetary adjustments during this period. For example, public spending on housing faced severe cuts. Reform to the local housing allowance (LHA) rate shifted the level from the median price of the local market rate to a cap at the 30th percentile in January 2012. This impacted claimants' access to affordable housing, as they could only afford to rent in the bottom 30% of the market rather than the lower half.[5] This policy change affected around 775,000 households in the first year of implementation.[6] The amount of LHA was also frozen from 2015, no longer increasing each year in line with inflation (CPI) or market changes; the 2015 Budget announced it would be frozen for four years from 2016.[7]

Another housing policy, *Removal of the Spare Room Subsidy (RSRS)*, took effect in 2013 and reduced Housing Benefit for tenants with extra room(s).[8] The report from the Department for Work and Pensions suggests the RSRS has encouraged 18% of the affected tenants to increase their income through economically productive activities to pay the shortfall.[9] However, the increased spending on housing had led to 57%

of the affected tenants to cut back on household essentials, namely food, heating, clothing and medication.[10] The reduced spending on household essentials could potentially impair the health of the claimants in the long run and add more pressure on the healthcare system.

Public health in the austerity years

Although there were no significant cuts to health spending during the austerity years, spending also did not grow significantly through much of the period. At the same time, reforms to the health system were introduced, primarily through the Health and Social Care Act 2012.[11] These reforms included:

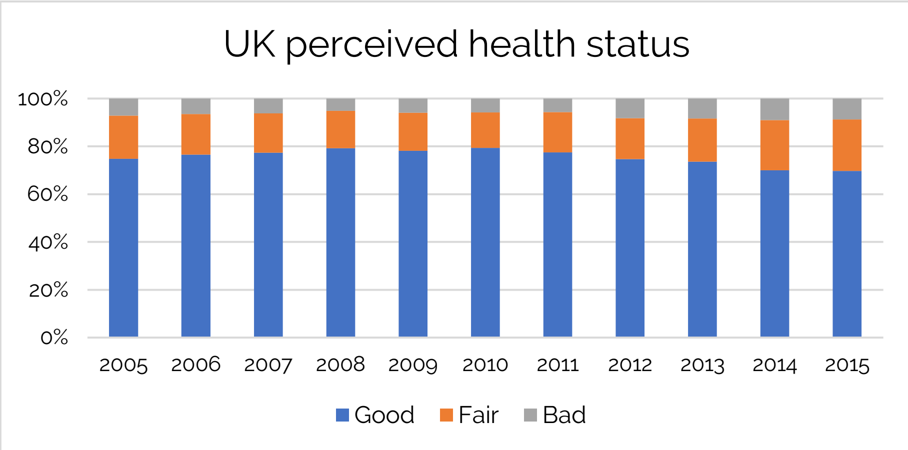
- Efforts to decentralise the NHS, promoting localisation of decision-making and budgeting in healthcare;
- The abolition of Primary Care Trusts (PCTs), which were responsible for the commissioning of primary and secondary health care from providers, and the Strategic Health Authority (SHA), with them replaced by Clinical Commissioning Groups (CCGs);[12]
    - CCGs are now responsible for planning and commissioning health care provision in their local area. They have control over around two-thirds of the NHS budget. Through assessing local needs, they are also liable for deciding different priorities and strategies to improve health care in their area.

The act was deemed by scholars to be one of the most controversial pieces of health legislation in the history of the NHS.[13] Some do see reason for optimism, however, as it empowers local authorities – who have better awareness of their local needs – and encourages cooperation between the NHS and other health care providers.[14] At the same time, the act has been criticised in various ways, including the potential tension related to liability and accountability between local and central government in areas such as budgeting and decision-making authority.[15]

An example of this tension comes from cuts that have resulted in local authority budgets (excluding social care) falling by 32.6% between 2011/12 and 2016/17.[16] With respect to the public health grant given by the Department for Health and Social Care to local authorities, one estimate anticipated a £700 million reduction between 2014/15 and 2019/20, while other analysis reports that real-term cuts in public health spending have amounted to £690 million between 2014/15 and 2018/19, with further cuts of £200 million expected by 2019/20.[17]

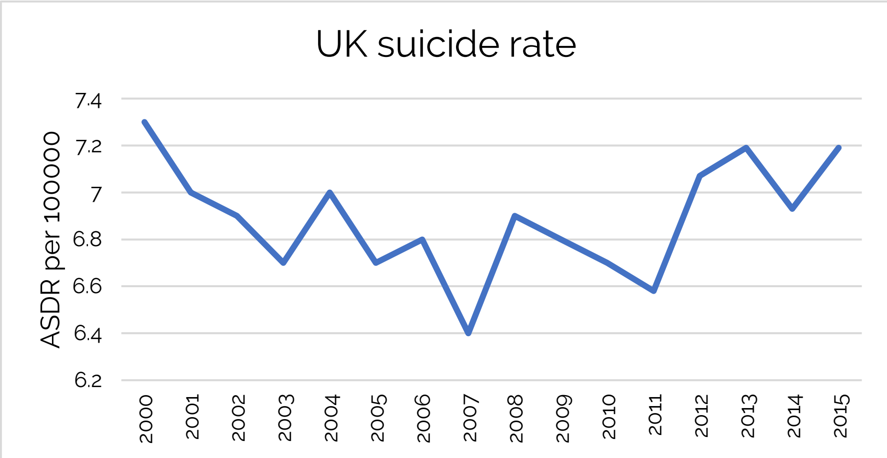
Inherent to some of the concerns around the reforms to the health system and substantial budget cuts is the worry that they will have a negative impact on health outcomes. A vast range of factors influence different health outcomes, particularly when there are large-scale shifts in these outcomes. One simple way to assess people's health experiences is to look at perceived health status data. This subjective measure avoids some of the confounding issues associated with using objective health data that rely on direct access and use of medical services in the health system.

From 2005-2010, the percentage of the population reporting good health increased gradually by around 5 percentage points. However, during the austerity years 2010-2015, the percentage of the population reporting good health declined by nearly 10 percentage points. This also means that the percentage of the population reporting fair or bad health rose, suggesting an overall decline in public health during this period.



Source: OECD

Another interesting area concerning public health that has shown a stark pattern across the pre- and post-recession years is suicides. With deaths from suicides low across the period of 2000-2015, the trend suggests a turning point due to the recession. Overall, suicide rates fell between 2000 and 2007, but there was an 8% jump in 2008 – the peak of the financial crisis – that then declined up to 2011. The suicide rate then grew from around 6.6 to 7.2 in 2015, a 9.1% increase.



Source: Eurostat

As is the case in all other countries in this report, the overall trends in mortality rates in the UK seem unaffected by the recession or adoption of austerity policies. Some differences were found when looking at disease-specific mortality. For example, while the death rate from cardiovascular diseases more than doubled during the period 1995-2015, death rates related to cancer and respiratory diseases fell consistently and dramatically during the period: the cancer death rate fell by over 20%, while the respiratory disease death rate declined by 36%. It should be noted, however, that any impact of austerity on indicators like mortality may not become evident for several more years.

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[9] DWP 2014. p.39
[10] DWP 2014. p.17
[11] We should note that, when we speak about the health system and health funding in the UK, this applies primarily to England, as the devolved legislatures in Northern Ireland, Scotland, and Wales have autonomous decision-making powers with respect to health policy.

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