Tipping the scales

Exploring austerity and public health in Ireland

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.

Financial support for the development of this report was provided as a charitable donation from Pfizer.

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.

Before the financial crisis, Ireland experienced a period of rapid economic growth. With the financial crisis, this prosperity ended abruptly as the economy "suffered the greatest contraction of any OECD country since the Second World War".

Despite recent improvements in the health of the Irish economy, the health system has endured a sustained period of stalled funding.

During the austerity period, the risk of poverty grew from just over 20% in 2007 to 32% in 2012 for people aged 18-64. Evidence also suggests that the depth of coverage diminished, as spending on hospital charges and medicines rose between 2009 and 2014.

Even though there was a slight increase in the proportion of people reporting poor health, the rate of those reporting either bad or very bad health in Ireland is low. This may indicate that public health has managed to cope with some of the increased strains associated with economic challenges and austerity.

Overall, there is little evidence to suggest that cuts in health service resources had a significant impact on mortality rates in Ireland. 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 Ireland

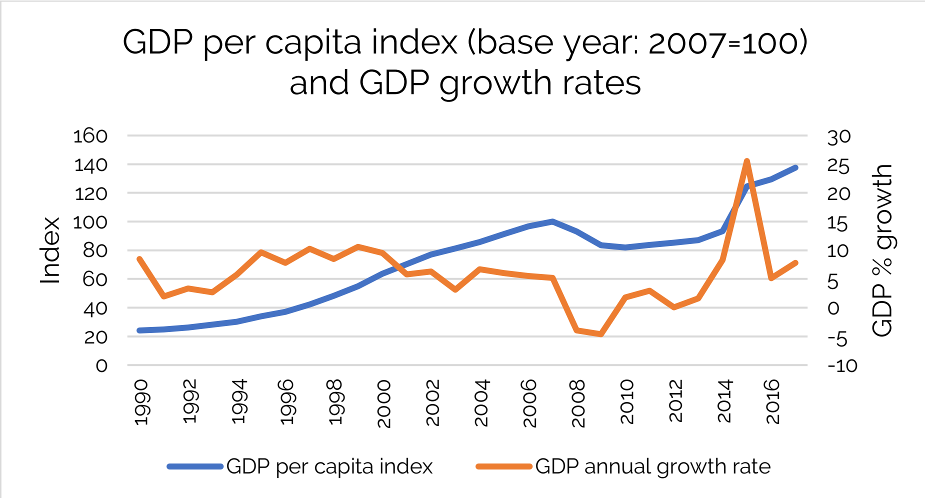
Ireland experienced a period of rapid economic growth "unparalleled by Western economies" in the years before the financial crisis, gaining the nickname of the Celtic Tiger.[2] It was seen as a success story of the free market, being completely transformed in only a few short decades. With the financial crisis, this prosperity ended abruptly as the economy "suffered the greatest contraction of any OECD country since the Second World War".[3] The impact of the financial crisis played out through various interrelated issues:[4]

- A collapse in the property market, which exposed a reliance on external borrowing and taxes related to property transactions;
- A banking crisis related to these factors, which left banks unable to access liquidity from the interbank market;
- The nationalisation of private debts of collapsing banks, which increased public debt and led to an EU-IMF loan programme.[5]

The loan from the IMF exceeded €20 billion, and the Irish government pursued a National Recovery Plan to make €15 billion in savings between 2011 and 2014.[6] The loan agreement for Ireland differed from those of other countries in crisis in that the Irish government had already established its own approach, which was accepted; the plan was internally developed rather than imposed from outside.[7] Still, the Irish recovery has been unexpectedly fast. Against a backdrop of austerity, Ireland serves as an interesting case study to assess how public health fares in the face of budget restrictions and a volatile economic environment.

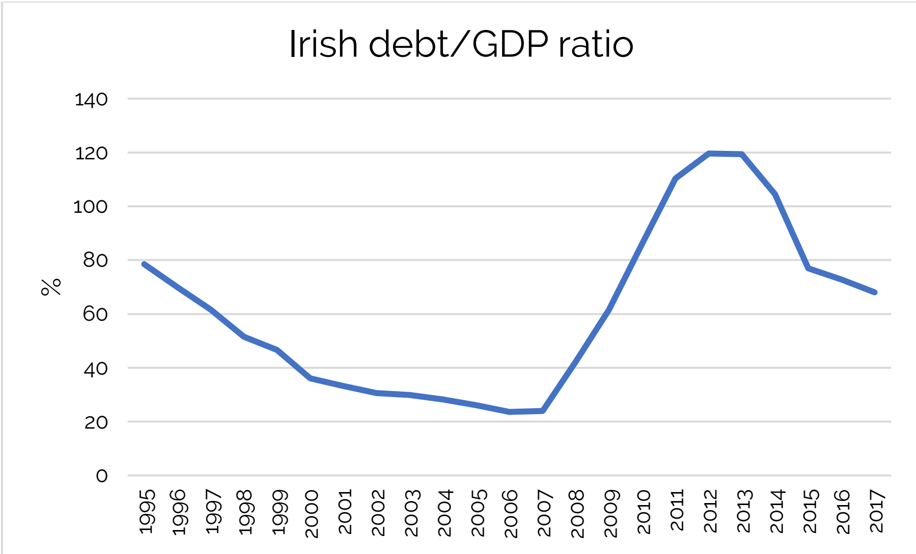
The economy through the austerity years

From 1990 to 2007, the Irish economy quadrupled in terms of GDP per capita before going into recession. By 2010, GDP per capita was 18% below what it had been in 2007. Economic growth remained sluggish until 2014, which marked a major turning point. Growth accelerated to above 8% and then to 25% in the following year. This propelled the Irish economy far beyond its pre-recession levels. As of 2017, GDP per capita is 37% higher than what it had been in 2007.



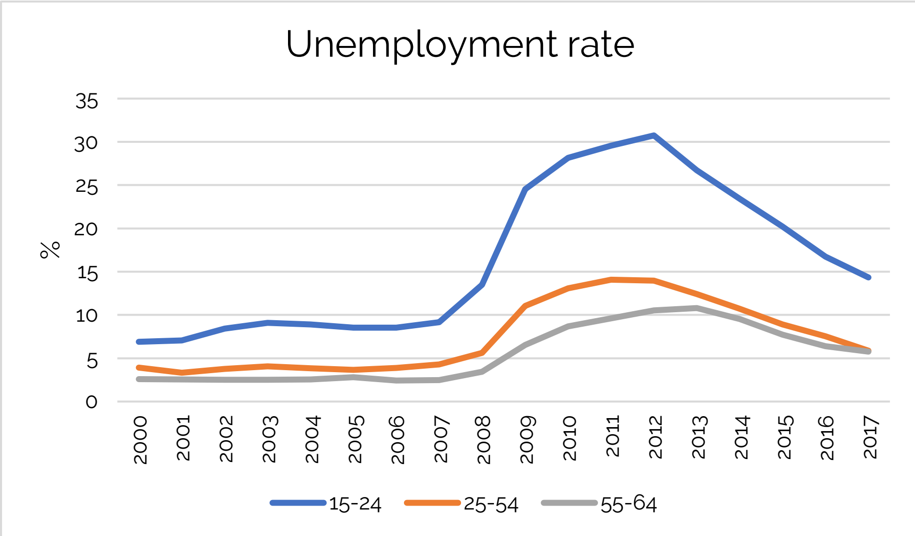
Source: OECD

From 1995 to 2007, debt as a proportion of GDP fell from just below 80% to 23.9%, among the lowest in Europe at the time. Austerity measures changed this, with the debt to GDP ratio rising to over 110% by 2011 before peaking at just below 120% in 2012. Since then, the growth in the Irish economy has helped debt to GDP fall to more manageable levels, reaching around 67% in 2017.



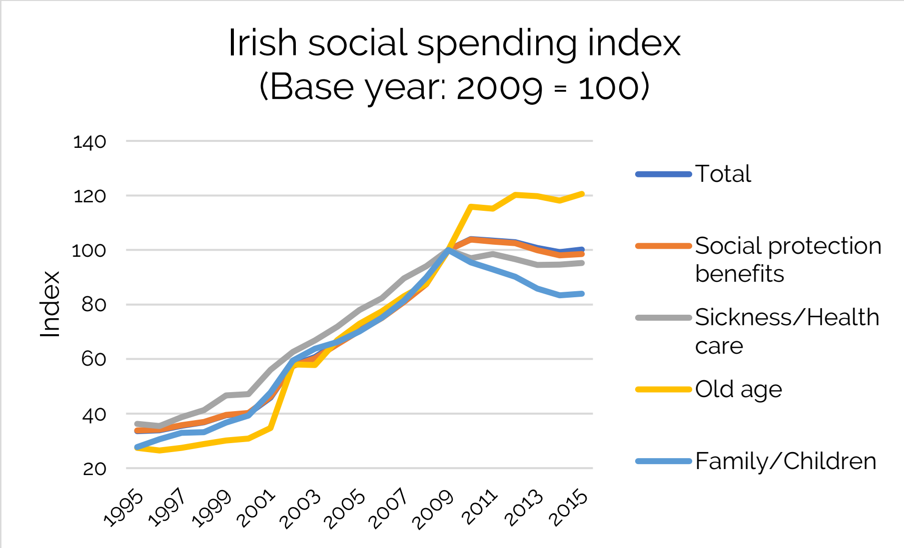
Source: Eurostat

Unemployment rose quickly during the early years of the crisis. Prior to 2007, unemployment rates among those aged 25-64 were consistently below 5%, while the rates for those between 15-24 were below 10%. From 2007, unemployment rose particularly sharply for those between 15-24, increasing to 24.5% by 2009 and to above 30% by 2012, before falling to below 15% as of 2017. Unemployment was less severe among other age groups, peaking at just below 15% in 2011 for those aged 25-64 before falling to below 6% by 2017.



Source: OECD

While spending cuts across key areas were not as severe in Ireland as in other countries like Greece, many areas have not returned to their pre-crisis levels of funding. Only old age spending has seen a significant improvement in funding, being 20% higher in 2015 than in 2009. Health spending fell from 2009 and remained 5% below this level in 2015. Overall total spending had returned to its 2009 level by 2015, although this does not account for the increased tax burden put on individuals through this period. It has been noted that Irish society has begun to face "higher and more visible taxes" at a time when the quality of public services has deteriorated.[8]



Source: Eurostat

Public health in the austerity years

Despite the recent improvements in the health of the Irish economy, the health system has endured a sustained period of stalled funding while attempting to deliver care to a population more exposed to the risks of poverty; the risk of poverty grew from just over 20% in 2007 to 32% in 2012 for people aged 18-64. Together, these factors have had a profound impact on the Irish health system.

Ireland has a comprehensive, government funded health care service overseen and managed by the Health Service Executive. For those who meet certain conditions regarding their income and receipt of welfare, a medical card is available which entitles the holder to free treatment. Between 2011 and 2013 it was reported that the population with a General Medical Services (GMS) card rose to over 1.8 million. As of 2015, 37% of the population had a medical card based on their low income.[9]

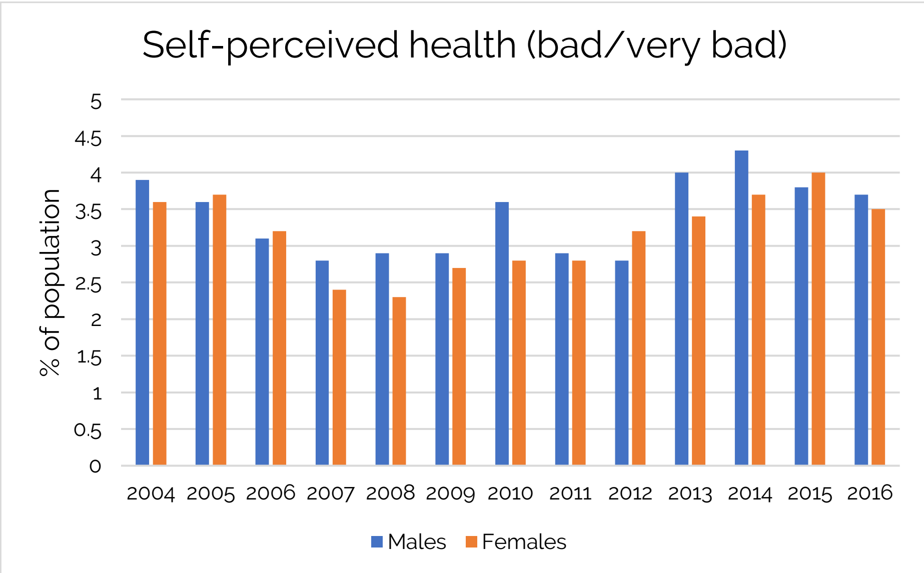
Evidence also suggests that the depth of coverage diminished, as spending on hospital charges and medicines rose between 2009 and 2014, in part through the introduction of additional charges. At the same time, free general practitioner care was introduced based on age during this period. It is difficult to estimate the true cost to the individual since private spending is not captured in the official data and long waiting lists for services encouraged many to pay privately.[10]

A notable area where cuts to health services manifested is in the labour force. Reducing staffing costs were considered essential to delivering the Irish austerity programme. Yet human resources in health care are critical inputs due to the labour-intensive nature of the industry. Frontline staff consequently enjoyed relative protection between 2008 and 2014, while significant reductions were seen for staff in other areas; the decline in non-acute care staff was double that in acute care.[11]

In some respects, the impact of the cuts has been positive, with various indicators of performance suggesting better outcomes. This may relate to greater efficiency prompted by the cuts in health spending. However, while such reforms may have stimulated necessary improvements for a “lagging health system”, the length of austerity and other adjustment policies did result in increased rationing.[12]

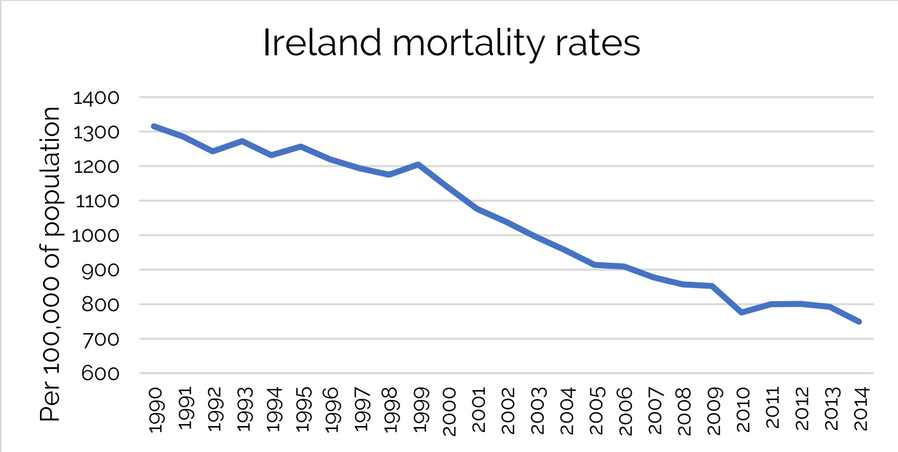
Inherent to some of the concerns around changes in the health system is the worry that they will have a negative impact on health outcomes. A vast range of factors influence different health outcomes, particularly when there are large-scale shifts in these outcomes. One simple way to assess people’s 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.

In Ireland, the rate of those reporting either bad or very bad health is low, between 2% and 5% across the period 2004-2016. Even though there was a slight increase in the proportion of males and females reporting poor health, the overall proportion remained well below 5% of the total population. The implication that so few people in Ireland consider themselves to have poor health may suggest that public health has managed to cope with some of the increased strains associated with economic challenges and austerity.



Source: OECD

In addition, there is little evidence to suggest that cuts in health service resources had a significant impact on mortality rates in Ireland. Mortality rates did increase slightly from 775 deaths per 100,000 of the population to 799 between 2010 and 2011, but the rate stabilised thereafter and then continued on the downward trend seen in the rate since 1990.



Source: OECD

Nevertheless, there remain to be some areas of concern. It has been suggested that the combination of economic malaise and austerity measures have disproportionately fallen on poorer communities, entrenching inequality. Given previous evidence suggesting that health inequalities have been persistent in Ireland, especially in major cities and isolated rural areas, this may serve as a warning for the future.[13]

Mental health is also a concern in Ireland. One study found that there has been an increase in self-harm among both sexes in Ireland and that austerity has had a “significant negative impact” on male suicide rates.[14]

Overall, the literature on health outcomes with a focus on austerity in Ireland has been limited, with more looking at the response of the health service rather than outcomes. Still, the impact of austerity on a range of health outcomes will be felt in both short- and long-term horizons, so it will be important to continue monitoring health to understand and identify any negative consequences from austerity measures.

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