South West Strategic Health Authority

SOUTH WEST STRATEGIC HEALTH AUTHORITY

HEALTH AND ECONOMIC GROWTH

1. Introduction and background

1.1 A literature review was carried out on health and economic growth, using key words such as health, economic growth, economic well-being, economic development, poverty and health. The searches provided a variety of information. The majority related to developing countries, however there was information linked to developed countries which was used. A number of authors have written on this subject such as Deaton, Suhrcke and Gupta and this review has used research and information they have gathered during this decade.

1.2 Data relating to the United Kingdom specifically was rare, however generic information and information relating to Europe was found. It has been suggested that data from European countries is weak due to little research into the effects in this area (Suhrcke *et al,* 2006). There is also a problem differentiating between cause and effect of links between health and economy, along with the longer time periods needed to collect data to yield results (Gupta and Mitra, 2004). Studies have looked at the microeconomics, assessing economic outcomes using the effects of health whilst considering other factors that may have a determining factor, and macroeconomic analysis whereby mechanisms evaluate how health influences the economy and relative contributions from such mechanisms (Suhrcke *et al,* 2006).

1.3 The information below provides background and figures relating to both health and economic growth separately and any relationship between them. Common themes have emerged from the literature review and these have been linked with information about the health and economic status of the South West and areas that may be of some concern or need further thought.

1.4 It is worth noting the report by Figueras *et al* (2008) on behalf of the World Health Organisation on health and wealth which provides an insight into and expands on the temes of contribution of health and societal well-being, the effects of ill health on economic well-being and the economic consequences.

2. Health and Economic Growth

2.1 The World Health Organisation indicates that it is widely accepted that economic and social development improves health but more unrecognised is that the health status of the population will contribute to all economic development (World Health

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Organisation, 2007). Suhrcke *et al* (2006) reports that health has consistently been shown in worldwide studies to be the best indicator of economic growth, more so than education.

2.2 The healthier a person, the harder and longer they will work. Through all ages of life, the health of a person will impact on their ability to learn, develop skills, join the workforce and remain in the workforce (Weil, 2007). Over the past 200 years, improved health and nutrition has contributed to 50% of the economic growth seen in the United Kingdom, which is relative if comparing to other industrialised countries (Suhrcke *et al*¸ 2006).

2.3 There are a number of health measures that provide good indicators of those who have the ability to undertake paid work. Longer life expectancy coupled with good childhood health been identified (Weil, 2007), (Bhargava *et al*, 2001). A healthier person with a longer life expectancy has more incentive to invest and save during their lifetime (Weil, 2007). It has been estimated that for every additional year of life expectancy, Gross Domestic Product per capita growth is between 4% and 7% (Eberstadt and Groth, 2007) (Bloom *et al,* 2001).

Older People

2.4 The longer people live the earlier the retirement age becomes (Eberstadt and Groth, 2007). Figures estimate that the European labour workforce will shrink at a rate of 0.2% a year for the next 20 years. The difficulty remains encouraging older people to take up jobs again especially with difficult regulations and the risks associated with employing this age group. There is also the fact that technology development must continue but will be harder with an ageing population (Eberstadt and Groth, 2007). Better health and living longer leads to people desiring and attaining better jobs during their life. It also leads companies to make higher investments in products rather than investing in financial markets associated with shorter life expectancy, poor growth rates and inflation costs (Gupta and Mitra, 2004).

2.5 However, Figueras *et al,* (2008) argue that if countries ensure ways of assisting healthy ageing and have policies that help older people stay in employment encouraging further economic activity, then ageing should not become a burden on state resources such as health care.

Mental Health and Psychological Well-being

2.5 Mental health can have a large impact on the economics of a country. Females suffer more psychologically than males if they become unemployed, this increases for both sexes if forced out of the workforce by long term illness, perceived social support also appears to fall during these times (Shields and Wheatley Price, 2005). Equally, men appear to suffer from poorer psychological well-being if they live in urban areas compared to suburban areas (Shields and Wheatley Price, 2005) According to Mental Health Action Week (2008), even with 50 years of economic growth in the United Kingdom, people are no happier and are becoming more

dissatisfied or 'angry' with life. This has been attributed to rapid changes in social, economic and political circumstances which appear to be damaging mental health (Mental Health Action Week, 2008). Equally, suffering physically from health problems such as arthritis or rheumatism will lower psychological well-being (Shields and Wheatley Price, 2005).

Children and Health

2.6 Poor health as a child will affect the levels and types of physical work activity when older (Bhargava, 2001). Poor nutrition during pregnancy can permanently affect cognitive development and chances of involvement in education (Commission on Growth and Development, 2008). Survival rates of children and adults will influence the levels of investment in education (Bhargava *et al*, 2001). Acquiring different skill levels through childhood and into adult life will affect economic development. Skill levels will be affected by nutrition during childhood, cognitive development, the type of education a person has undertaken and achieved and how physically and cognitively healthy their parents were (Bhargava *et al*, 2001).

Life Expectancy and Mortality Rates

2.7 Higher life expectancy levels (life expectancy at birth) (Cooke *et al*, 2005) can actually put greater pressure on a country as it requires more human capital investment. Spending on acute and long term healthcare will increase, and there will be more retirees compared to workers due to fixed aged limits for retirement (Westerhout and Pellikaan, 2005).

2.8 Deaton (2004) indicates that income growth does not correlate with a fall in mortality rates in countries like the United Kingdom, but is determined by income inequalities. Yet the ability to earn an income is a function of how healthy a person is (Gupta and Mitra, 2004). Mortality rates can actually increase during large growth in Gross Domestic Product due to higher stress from the adaptation to new technology, the speed and duration at which people are expected to work and higher work volumes (Granados, 2005). However, Granados (2005) estimates that during zero growth times mortality will continue to decline by 2.2% a year. Children will wait longer to receive family assets, leading to longer time periods where assets are not used for productive purposes. Any improvement in health status relating to growth will be unlikely to show for many generations as these effects have to be sustained over longer time periods for effects on growth rates to be felt (Gupta and Mitra, 2004).

Nutritional Status of a Population

2.9 The height of a population infers to the health environment in which people grow up (Weil, 2007). It has been linked that being a shorter adult is associated with a poor environment when growing up, leading to higher chances of chronic illness during middle and old age (Weil, 2007). The average height of the population of the United Kingdom has risen by 9.1cm over the past 200 years (Weil, 2007). The current

average height in the United Kingdom for males in 2005 was 175.3 cm and 161.4 cm for women (Health Survey for England, 2005). Being taller has been linked to positive impacts on wages and earning levels (Suhrcke *et al*, 2006).

2.10 High Body Mass Indexes (BMIs) have been associated with a negative impact on income levels especially in women (Suhrcke et al, 2006). Good adult nutrition can have positive effects on labour inputs and wages (Weil, 2007).

Health and Carers

2.11 Men are more likely to give up work to look after an ill wife, however women will often seek work if their husband becomes ill and can no longer work, to keep a regular household income (Suhrcke *et al,* 2006). In the 2001 census there were 6 million carers in the United Kingdom, of this figure 58% were female and 42% male and the majority were within the 50 – 59 year old age group. Carers UK (2005) found that there were both health and financial implications for those who have a 'caring' role. Carers suffer more ill health both mentally and physically which worsens the longer care is provided. The research also showed that over three quarters of carers are worse off financially with six out of ten carers residing in homes where there was no earning income.

Poverty

2.12 Poverty is determined by a poverty line where those who fall below it are classified as income poor. Data from the Department for Work and Pensions shows that for 2001/02 and 2003/04, 17% of children in the South West lived below this line before housing costs were taken into account and 27% after housing costs. The England average was 29%. Families with a disabled child are at an even greater risk of living in poverty with figures rising from 20% to 25% and stand at 31% if there is a disabled child and adult in the family and 33% if there is one adult who is disabled (Every Disabled Child Matters, 2008). Pensioners in the South West clustered around the England average of 22% with 23% living in relative low income households before housing costs and 21% after (Sustainable Development Commission, 2005). In terms of health, poverty is seen to increase the likelihood of illness and premature mortality (Child Poverty Action Group, 2007).

Further Factors Influencing Health and Economic Growth

2.13 In addition to the health factors mentioned above, health has a closer relationship with poverty which the economic growth rate has little impact on (Gupta and Mitra, 2004). Any decisions on pension rules, access to disability benefits and health insurance will either help or hinder the economy (Suhrcke *et al*, 2006). Re-training people and access to healthcare can provide a buffer to the market by protecting people rather than jobs (Commission on Growth and Development), but what is unknown is the effect that a welfare state has on economic flux (Granados, 2005).

2.14 The health of adults will influence saving rates and capital accumulation (Bhargava et al, 2001). Saving rates are down in Britain especially among mortgage-holders. In the early 1990s, 8.3% of disposable income was set aside for savings; this figure is now negative with more borrowing taking place and higher personal debt. This is being attributed to house prices as finances become ever tighter (Rozenberg, 2007). According to the National Savings and Investment Group (2006) which is backed by HM Treasury, people living in the South West are the least likely to save more compared to other parts of the United Kingdom, with the over 55s heading this group.

3. Potential Issues Facing the South West

3.1 Around 5.1 million people live in the South West. The region has the highest life expectancy of males and females in England standing at 78 and 82 years respectively (NHS South West, 2008).

3.2 It is the most rural region in England and has the highest proportion of people over the age of 65 (21% in 2002) with the expectation that this will rise to 45% by 2021. Residents in the South West aged over 60 are increasing at twice the national rate. Various reason have been attributed to this, firstly the baby boom generation are now reaching this age, conception rates have fallen and the South West sees high net inward migration. The health of the older people in the South West is better than the rest of England, however, diseases of old age will become more common (NHS South West, 2008b).

3.3 The South West National Housing Federation (2007) confirms that houses are costing 12 times the incomes of those living in the South West. Housing waiting lists are rising more quickly than anywhere else in England. Income levels in the South West are 8% to 10% lower than those of England, due to smaller incomes and higher utilisation of pensions (South West Observatory, 2007). The South West sees more of the population sitting within the middle income bands with below average number of individuals in the bottom and top quintiles which is less extreme than the other English regions like the North East (South West Observatory, 2007). Despite this, employment in the region is relatively high, standing at 78.4% (Regional Development Agency, 2008). The Office of National Statistics (2008) show the South West as having the highest working age employment rate in England (78.5%) compared to London with the lowest rate standing at 69.4%. However, measured productivity is low with low average earnings and poor employment status (State of South West, 2006).

3.4 According to the State of the South West Report (2006), the South West economy output stood at £75.2 billion, the sixth largest of English regions. Despite having a higher ageing population and less economic activity, the South West economic activity rate is 82% (third highest of English regions), along with the highest female activity rate in England.

3.5 Obesity rates in children and adults are rising. In the South West 21% of men and 18.8% of women are obese, in children this figure stands at 14.8% of 2-15 year olds (NHS South West, 2008). The South West is seeing a binge drinking problem with teenagers and young men drinking at higher levels than the England average (NHS South West, 2008b). Drug misuse rates in the under 25's in the South West is higher than the England average and continues to rise, along with smoking rates (NHS South West, 2008b). There is also the issue that the projected number of children in the South West aged between 0-14 is predicted to fall by 3% by 2013 (South West Public Health Observatory, 2008).

4. Conclusion

4.1 The South West is facing a challenging time with a larger population of older adults, high rates of obese children and substance misuse problems in young adults. All of which could have a detrimental effect on the regions' economic growth rate in the future.

4.2 Equally high house prices, low incomes and the rurality of the region may also impact on the health of the population living in the South West.

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