

DEPARTMENT OF SOCIOLOGY



# Recession, austerity, and health inequalities



Aaron Reeves

@aaronsreeves

aaron.reeves@sociology.ox.ac.uk

November 26, 2013

# Thanks to...



Sanjay Basu  
Stanford



Martin McKee  
LSHTM



David Stuckler  
Oxford

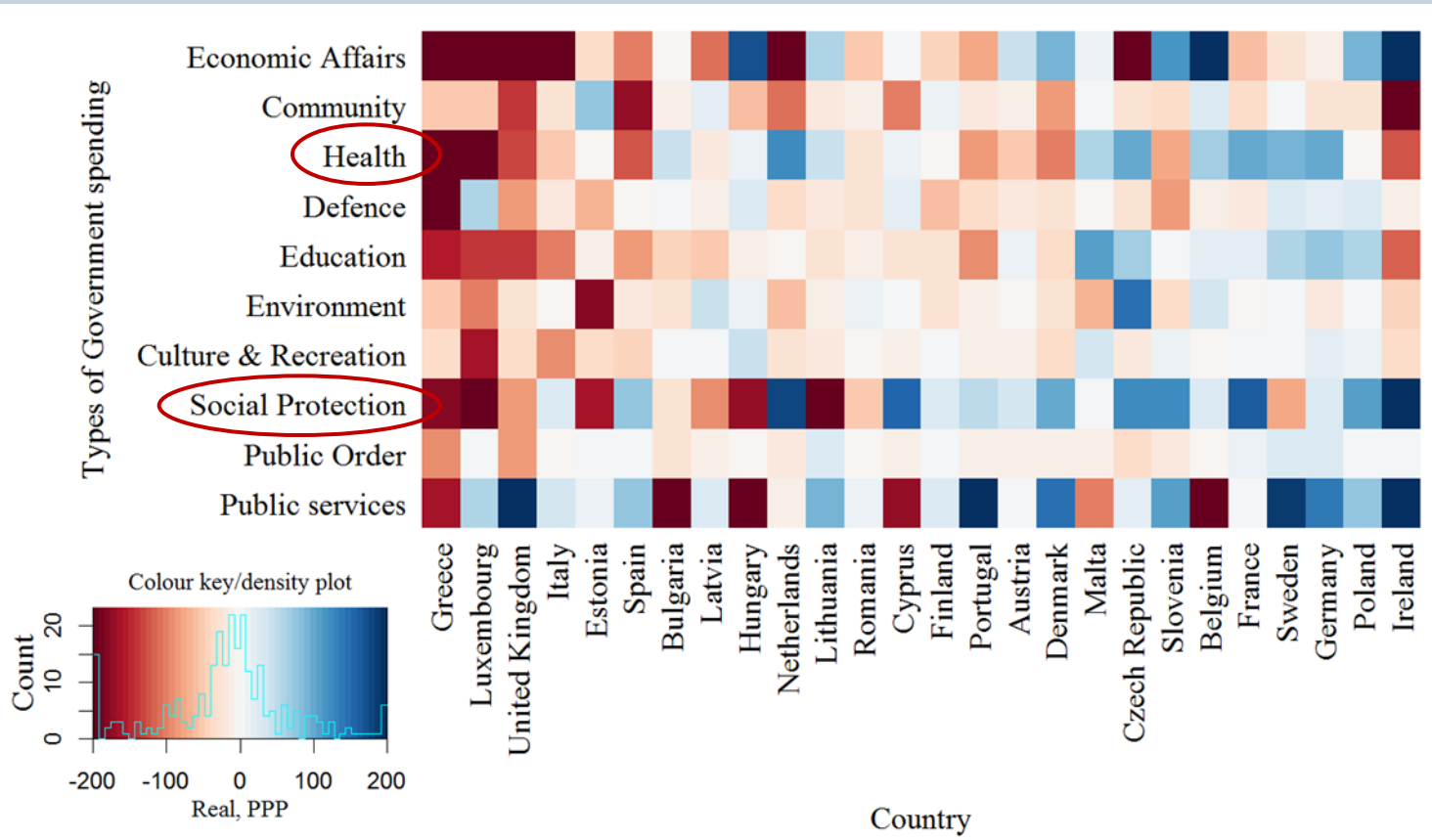
# Three questions

1. What changes have there been to government spending?
2. What impact are changes to social protection having on health and health inequalities?
3. What impact are changes to health and social protection having on economic growth?

# PATTERNS OF AUSTERITY AND STIMULUS

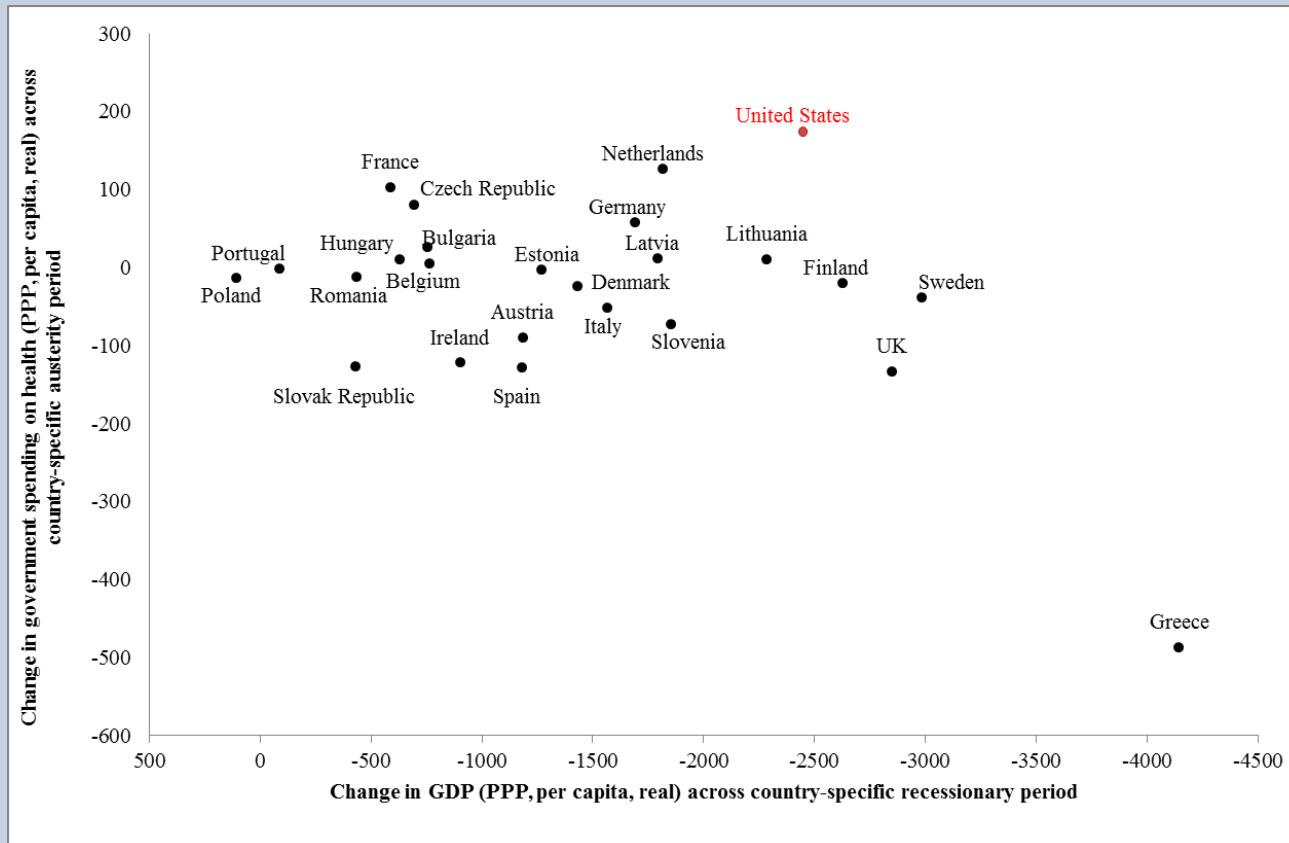
# Healthcare austerity: 2009-2011

(Red = reduced spending: Blue = increased spending)



Reeves A, Basu S, McKee M, Marmot M, Stuckler D. Austerity or not? UK coalition government budgets and health inequalities. Journal of the Royal Society of Medicine. 2013.

# Is healthcare austerity a choice?



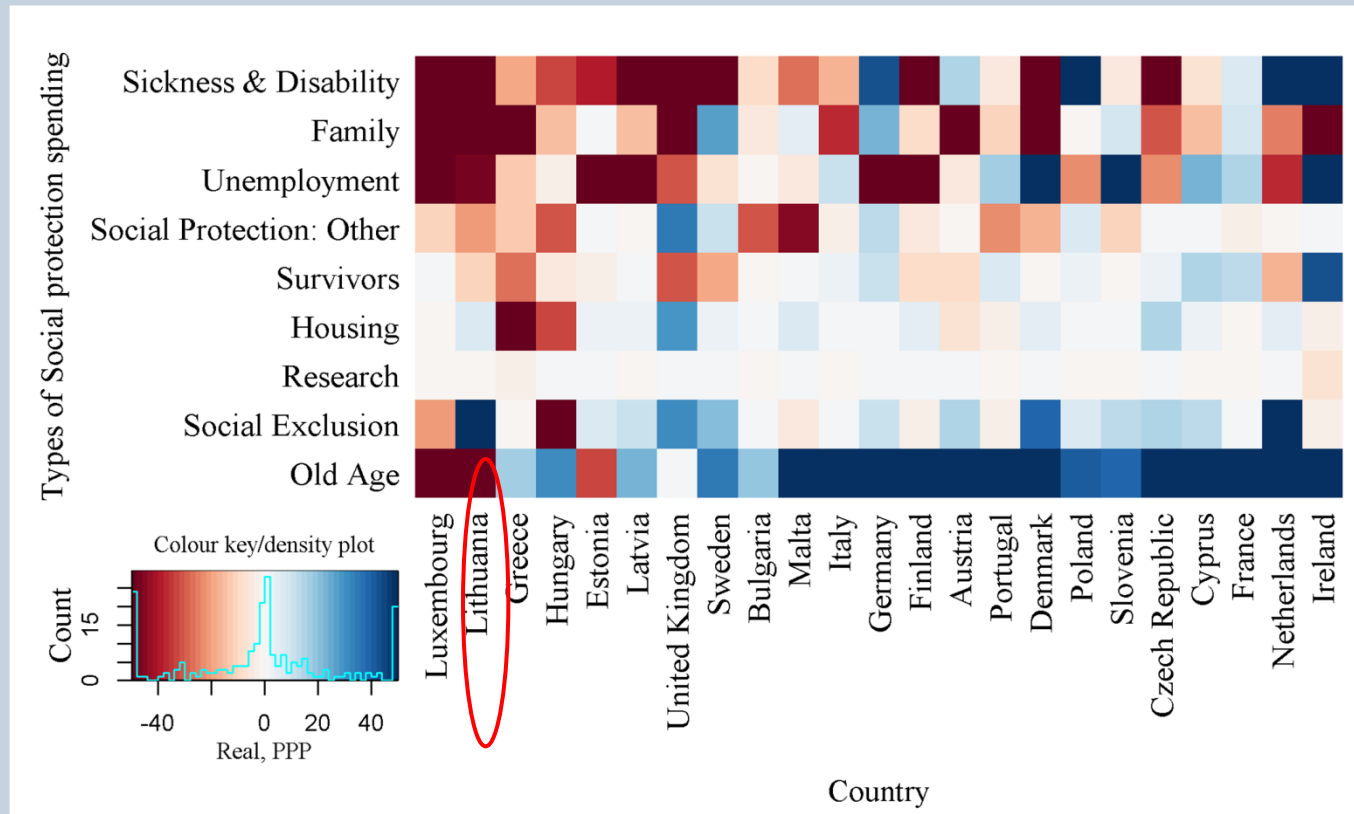
Notes: Source: WHO Health expenditure database 2013 edition, EuroStat 2013 edition. Recessionary- and austerity-periods are defined in detail for each country. Recession is defined as declining GDP (adjusted for inflation and purchasing-power) in consecutive years. Austerity is defined as declining government expenditure (adjusted for inflation and purchasing-power) in consecutive years.

Data on Malta, Luxembourg, and Cyprus excluded from the graphic. The US are included in this figure as a comparison but are not included in the other analyses

# SOCIAL PROTECTION AUSTERITY

# Social protection austerity: 2009-2011

(Red = reduced spending: Blue = increased spending)



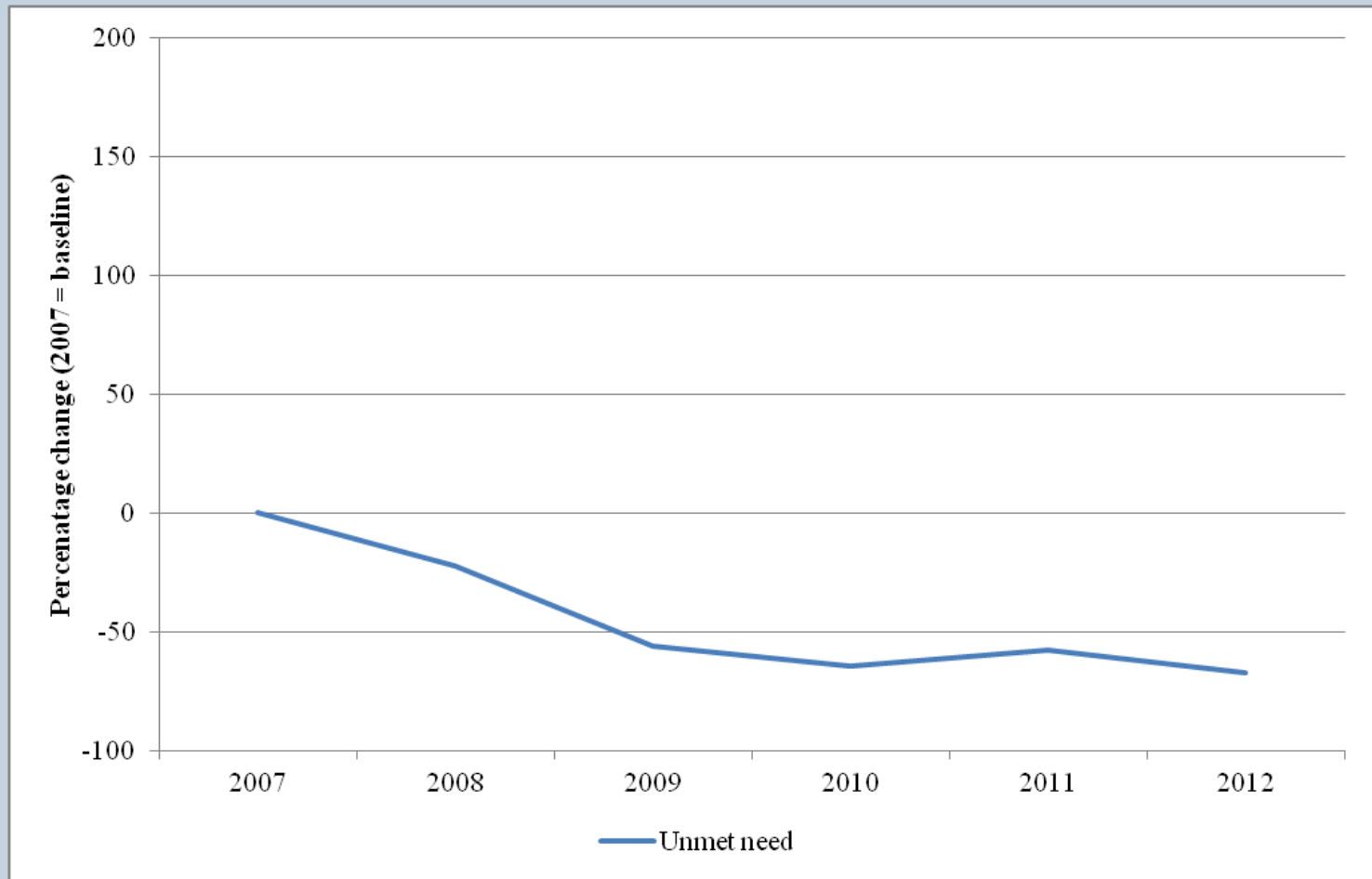
Units =  
per capita  
spending

Count =  
No. of  
observations

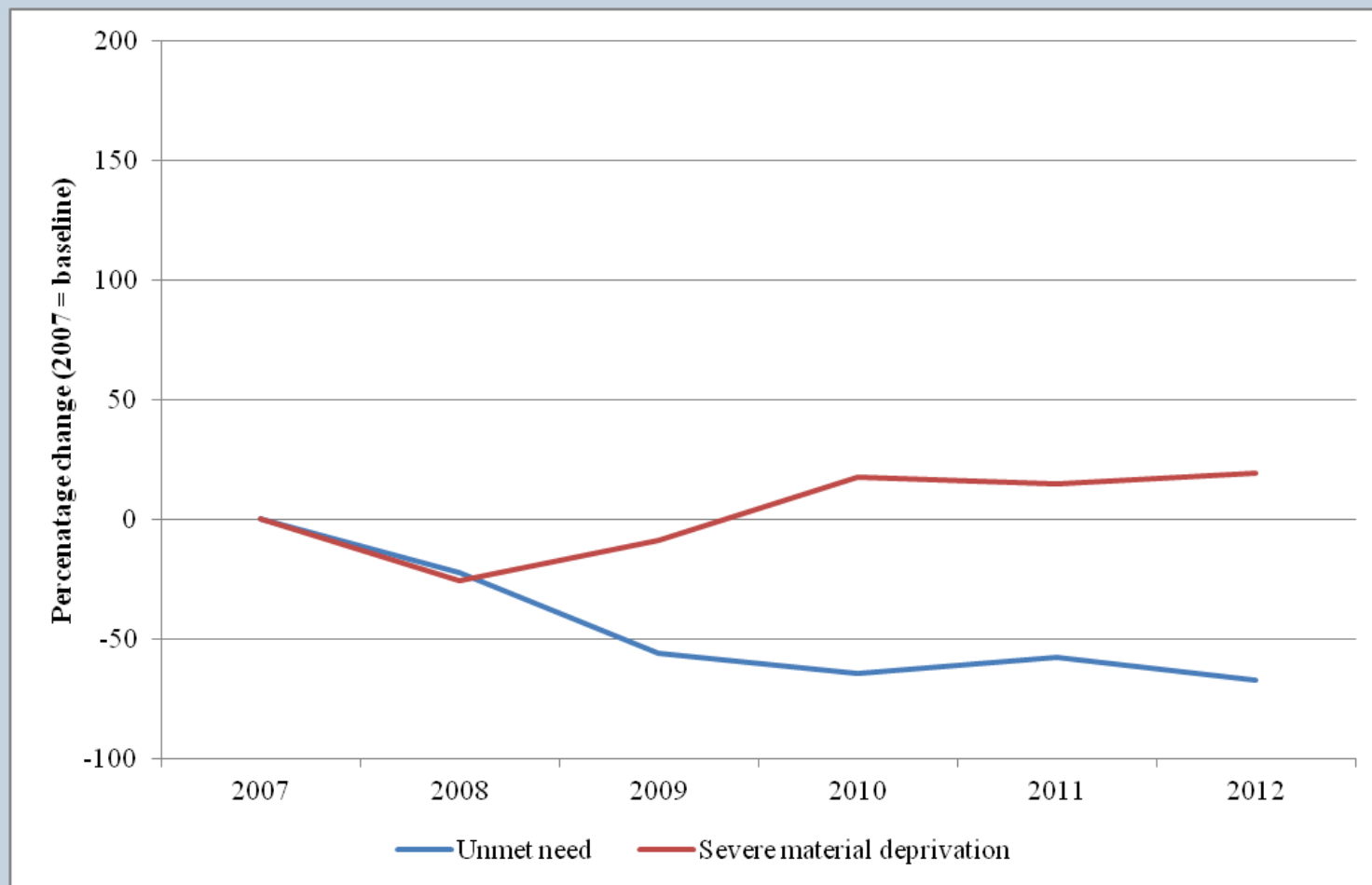
Reeves A, Basu S, McKee M, Marmot M, Stuckler D. Austere or not? UK coalition government budgets and health inequalities. Journal of the Royal Society of Medicine. 2013.



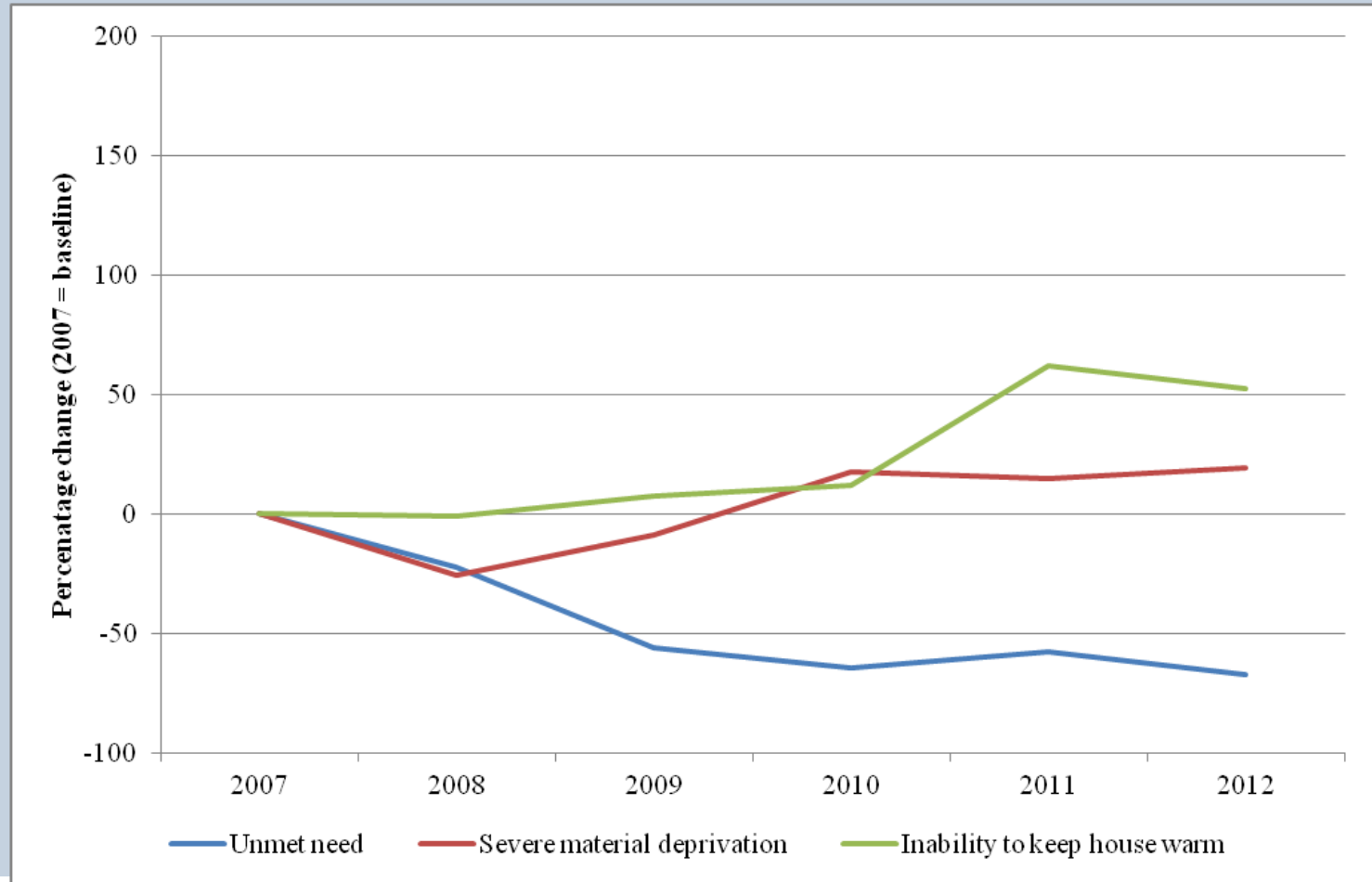
# Lithuania: Declines in unmet need



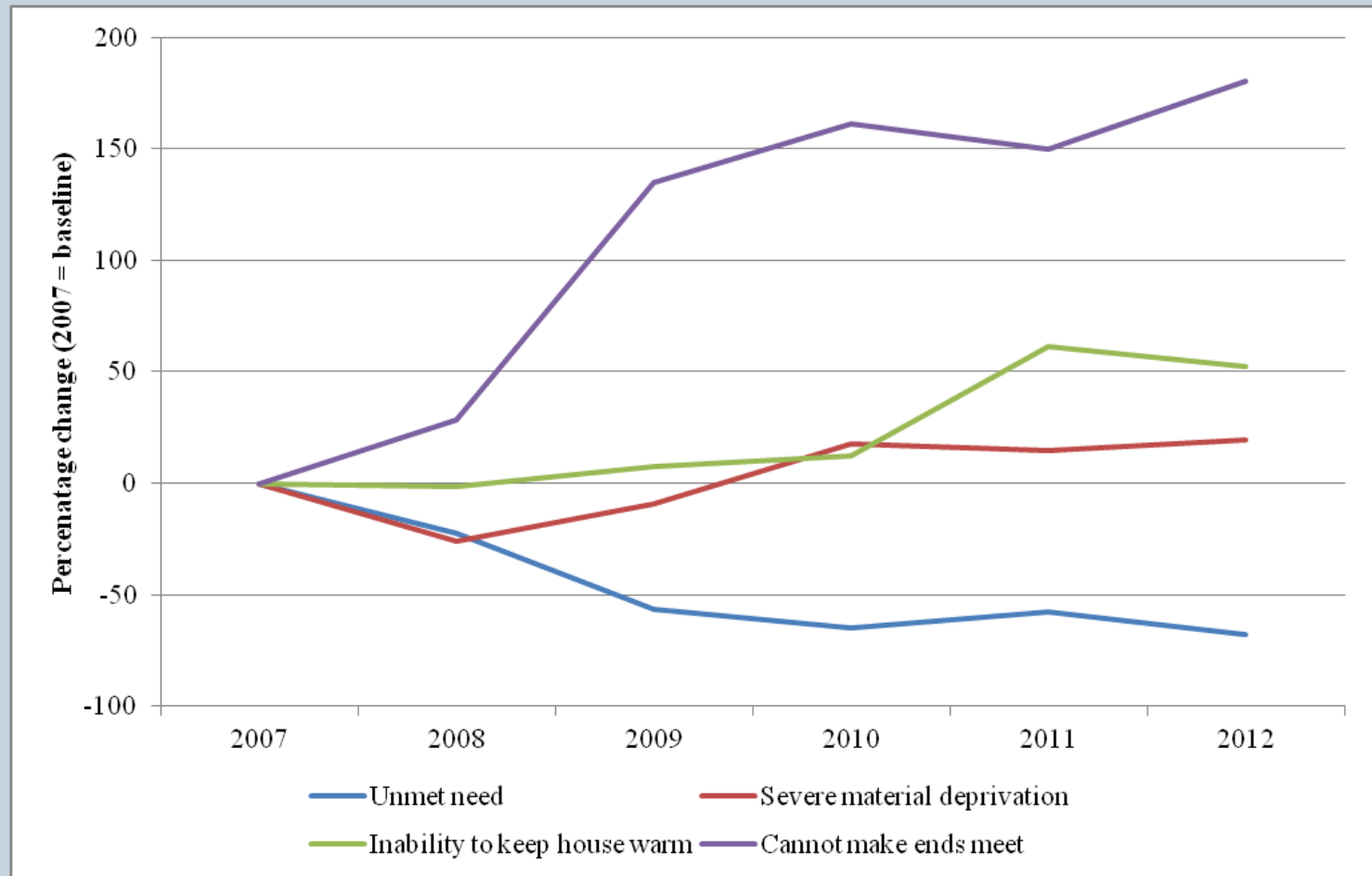
# Lithuania: Increasing severe material deprivation



# Lithuania: Increasing inability to keep house warm

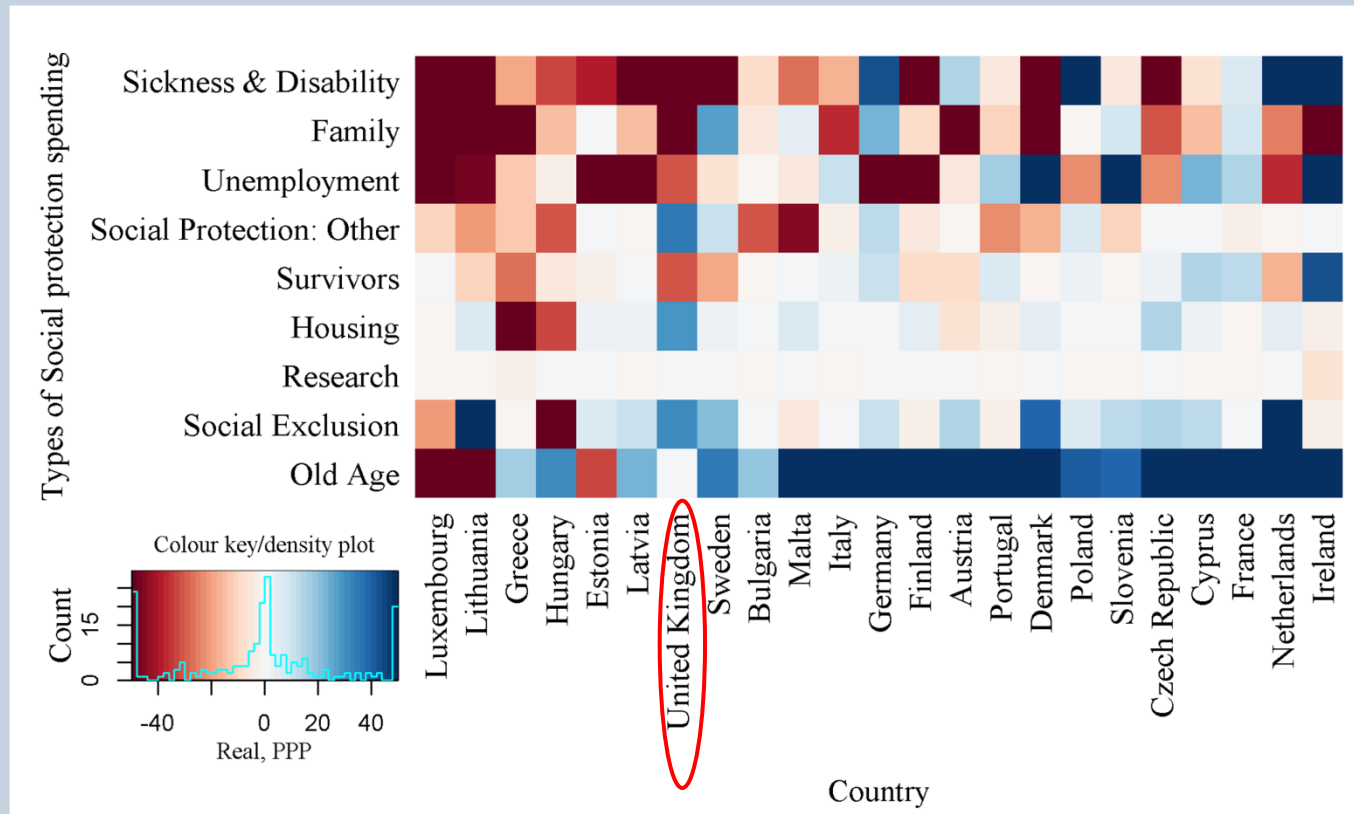


# Lithuania: Increasing inability to meet basic needs



# Social protection austerity: 2009-2011

(Red = reduced spending: Blue = increased spending)



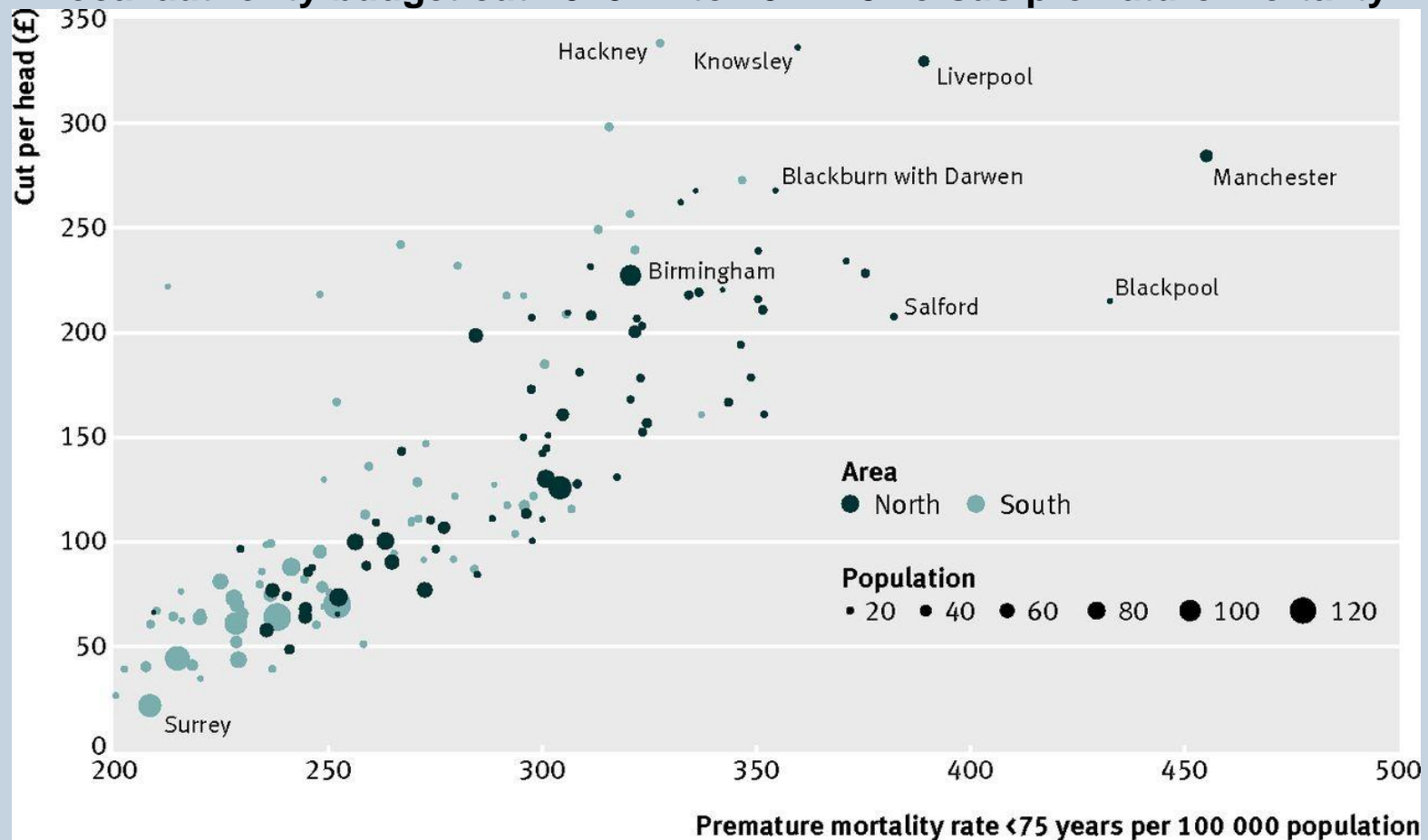
Units = per capita spending

Count = No. of observations

Reeves A, Basu S, McKee M, Marmot M, Stuckler D. Austere or not? UK coalition government budgets and health inequalities. Journal of the Royal Society of Medicine. 2013.

# Social Protection Austerity: UK

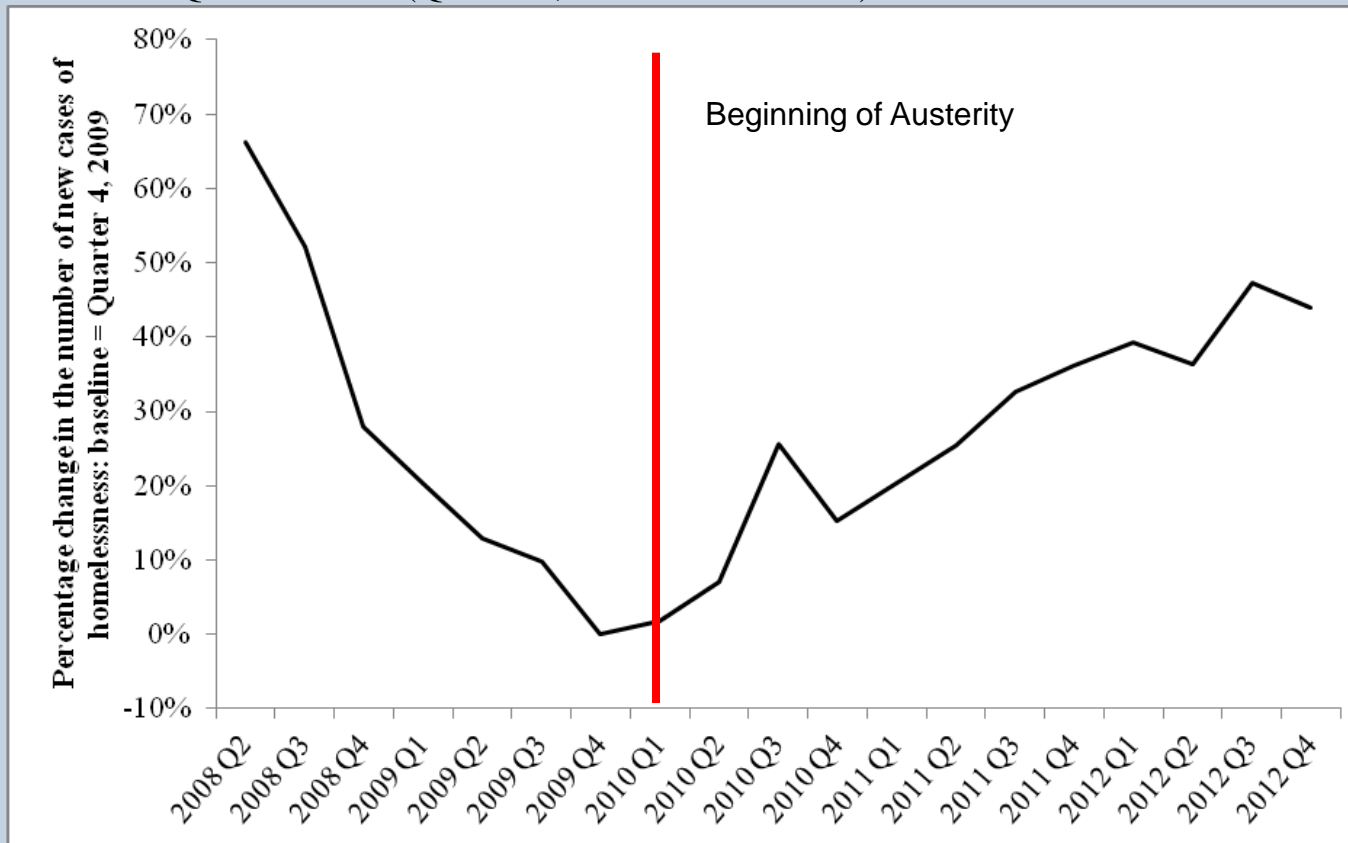
Local authority budget cut 2010-11 to 2014-15 versus premature mortality.



Taylor-Robinson D et al. BMJ 2013;347:bmj.f4208

# Social Protection Austerity: UK

Percentage change in total number of new cases of homelessness in England between Quarter 2 2008 and Quarter 4 2012 (Quarter 4, 2009 is the baseline).



Notes: Government definition of homelessness changed in the fourth quarter of 2010.

Reeves A, Basu S, McKee M, Marmot M, Stuckler D. Austere or not? UK coalition government budgets and health inequalities. Journal of the Royal Society of Medicine. 2013.

# Social Protection Austerity: UK Disability

- 280,000 people will experience reduced payments up to £4212 per year
- 150,000 currently live in poverty
- Additional 50,000 people at risk of poverty due to these changes.



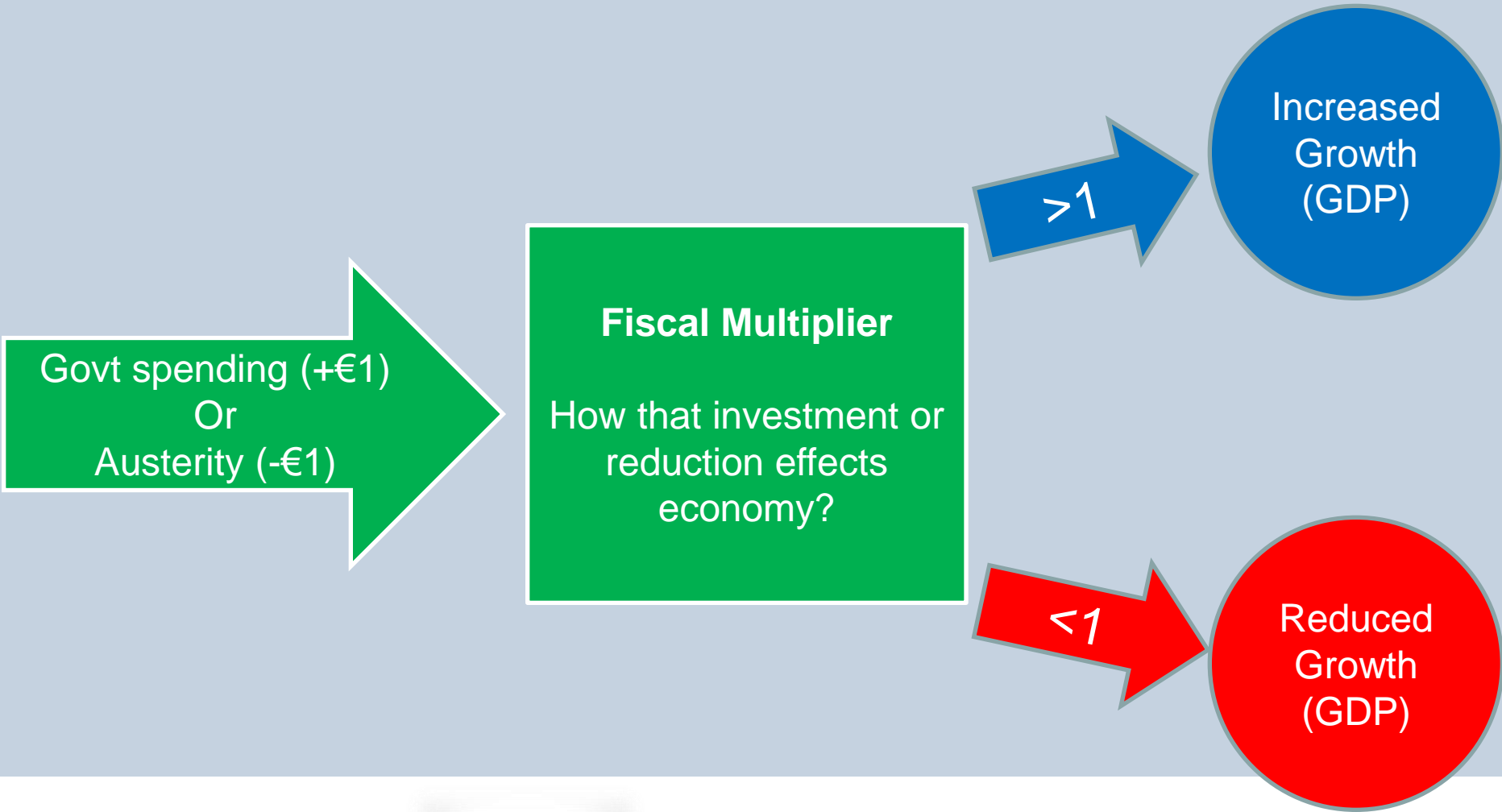


# AUSTERITY, FISCAL MULTIPLIERS, AND ECONOMIC GROWTH

# Two arguments for austerity

1. Debt crisis → Lower economic growth
2. Fiscal multiplier for government spending is less than 1.

# Fiscal Multipliers: The effect of public spending on the economy



# IMF admits error

WP/13/1



## IMF Working Paper

Growth Forecast Errors and  
Fiscal Multipliers

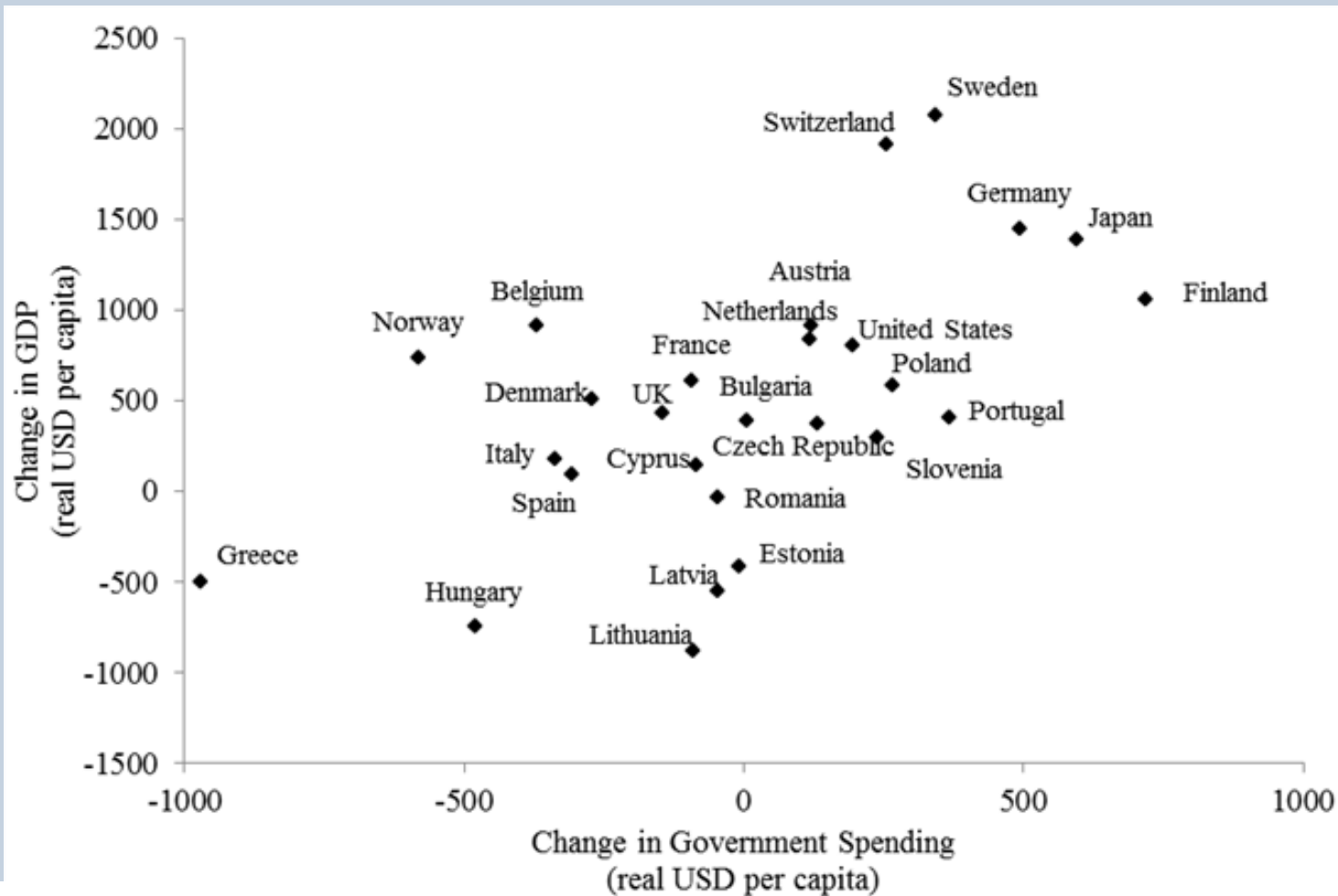
*Olivier Blanchard and Daniel Leigh*

“We underestimated the negative effect of austerity on employment and spending power”

Fiscal multiplier assumed:  
0.5

Actual multiplier: 1.7

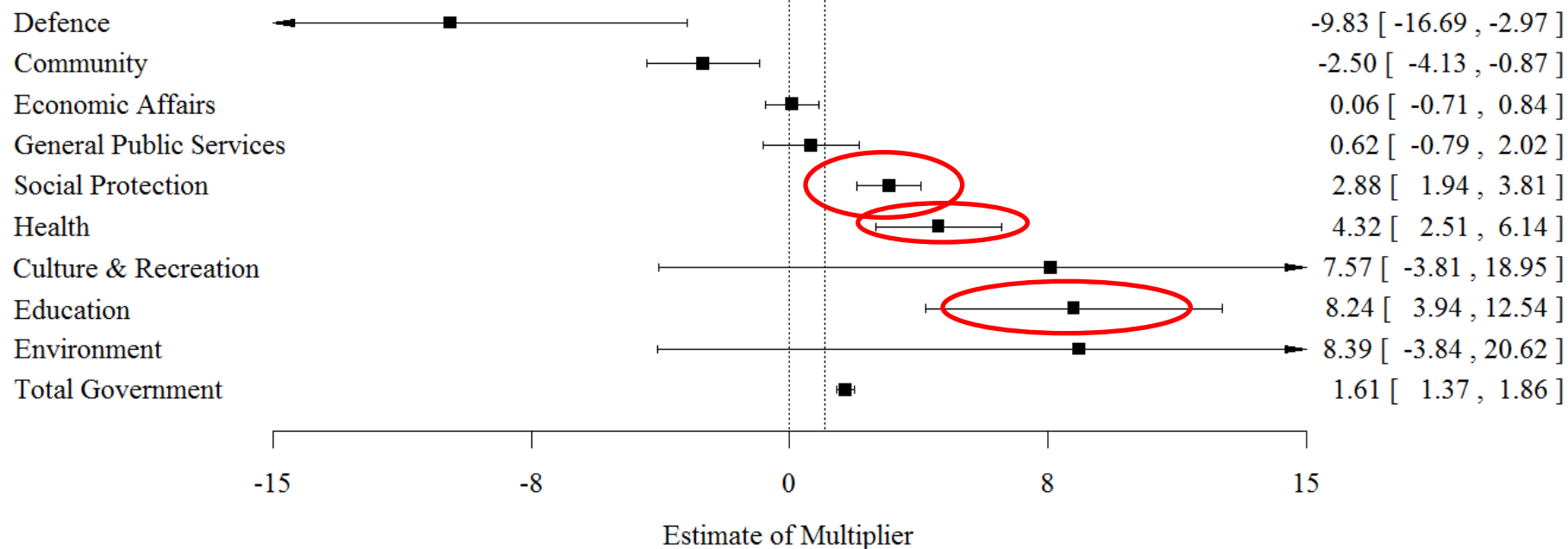
# Greater public spending, faster economic recovery



# Fiscal multipliers

Types of government spending

Estimate of the fiscal multiplier [95% CI]



Reeves A, Basu S, McKee M, Meissner C, Stuckler D. Does investment in the health sector promote or inhibit economic growth? *Globalization Health*. 2013; **9**(43).

# Conclusion

1. The recession has been bad for health, particularly for the economically and socially vulnerable.
2. Healthcare and social protection austerity will exacerbate the impact of recession.
3. Investing in health and social protection (i.e., protecting populations) encourages short- and medium-term growth

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