

AUSTRALIAN FINANCIAL CRISIS: Implications for Health and Research



Acknowledgements

This report is generously supported by grants from the National Health and Medical Research Council and BUPA Australia (comprising HBA, MBF and Mutual Community).

Research Australia also thanks Professor Sally Redman and Dr Megan Keaney for their support, along with contributors.

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ISBN 978-1-921653-01-8



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November 2009

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INTRODUCTION

Research is focused on improving our understanding of ourselves and the world in which we live. This is essential to public policy and the delivery of strong community benefits from investment in health. The health impact of the global financial crisis has largely been overshadowed by the focus on the economy and finance. However, the health consequences may be felt long after the economy turns around.

The Australian economy has been more fortunate than most in shielding itself against the worst of the global recession. However, will the same factors that have served Australia well in this downturn protect us when considering our health and wellbeing? Will government strategies that aim to boost the economy benefit our health? Do we need specific policies and programs to avert any risk of harm to our health?

Research Australia has invited some of Australia's leading experts on health, the economy, government and society to share their thoughts on how we can ensure we survive this recession, with a healthier and more productive Australia.

Their conclusion is that small steps now, to generate new understandings about how to promote community health, will provide protection against future economic threats, and pay long term dividends both socially and economically.

This report draws together their contributions and seeks to assess our understanding of how the current economic crisis will affect Australians' health. It identifies many gaps in our knowledge and many opportunities for improving the evidence base for policy.

This report will help policy makers, companies, not-for-profit organisations, philanthropists and researchers meet the health and social challenges confronting us now and into the future.



A handwritten signature in black ink that reads "Chris Roberts".

Dr Chris Roberts
Chairman
Research Australia



A handwritten signature in black ink that reads "Rebecca James".

Rebecca James
Chief Executive Officer
Research Australia

FOREWORD

Since the financial crisis emerged in late 2008, governments across the world have implemented strategies to protect nations from the economic consequences of the global downturn including policies aimed to boost consumption, protect employment, and stabilise banking systems.

This discussion paper aims to shed light on the health impacts of recession. We ask “What do we know about the health impacts of recession and what evidence do we have to guide public policy to counter the consequences of recession on health?” In developing this publication we have brought together experts from a range of disciplines and we thank each of them for their contribution.

There is a substantial body of research demonstrating the health impacts of long term unemployment. Of course, a recession makes it even more difficult for the long term unemployed to find work and some of those who lose their jobs will join the ranks of long term unemployed. Our contributors highlighted the major effects of socio-economic disadvantage and long term unemployment on almost all aspects of health – however, we found little research that could guide public policy aimed at reducing the health impact of long term unemployment or disadvantage.

Many people who lose their jobs during recession will return to work as the economy recovers. Surprisingly, much less is known about the health consequences of short term unemployment and under-employment (reduced working hours) that is a feature of cyclical economic downturn. It is clear that becoming unemployed impacts on mental health and increases the likelihood of suicide. The evidence about the impact on other aspects of health remains unclear.

Indeed, one of the strong findings from this review is that we need more and better research about the impact of recession on health – this recession might perhaps stimulate the kind of research that will help governments plan better to protect health, when future recessions occur.

The impact of recession and health is a case study for the importance of health and medical research and how our research effort could better serve the Australian community. In Australia we have excellent economic, health and social research that could contribute to providing an evidence base for future public policy development. We hope that this report will stimulate discussion about how we might optimise our research effort. Just as we have learned the lessons of history to best manage the economic fallout of recession we hope research will assist government to develop policies and programmes that will shelter us from the social and health consequences of this recession and see us better prepared for the next.



Professor Sally Redman



Dr Megan Keaney

RESPONSE BY DR CHRISTINE BENNETT



Dr Christine Bennett

*Chief Medical Officer,
BUPA Australia
Chair,
National Health & Hospitals Reform Commission*

Australia is entering an exciting era of reform to our health system. We have an historic opportunity to build a health system that not only meets Australia's existing health needs but one which can anticipate and respond to emerging health challenges, such as mental illness and obesity, and to unexpected events such as the global financial crisis.

The impact of the global financial crisis has required urgent economic intervention by governments around the world but, as you will read in this report, it is likely to also have far-reaching social and health consequences for its citizens, many of which are just beginning to be felt.

There is a wealth of international evidence on the powerful influence social and environmental forces have on our health. However, until this report, there has been little focus on the long term health effects of specific economic events like recession. As this report documents, when unemployment rises, so do mental health problems, relationship breakdowns, alcohol and drug misuse, chronic health difficulties, and deliberate self harm and suicide.

Our society's most vulnerable populations – the unemployed, disadvantaged families, rural and remote communities, Indigenous Australians, and the elderly – are likely to experience further hardship as a result of the economic downturn. The effects of long term disadvantage on health are well understood – these people are likely to experience higher rates of chronic disease and injury, poorer mental health and, ultimately, shorter life expectancy.

The findings of a recent Australian survey have shown that a worrying 25 per cent of Australians have avoided or delayed visits to a GP, dentist or a specialist due to the global financial crisis and that nine per cent have stopped or scaled back on prescription drugs. We also know that many Australians doing it tough will look to make cost savings in their family's grocery basket by opting for cheaper ready-prepared or processed food rather than more expensive, but nutritionally superior, fresh produce.

The impact of these, and similar, actions that carry adverse health risks, together with the increase in stress and mental health issues as a result of tougher economic times, are likely to have profound long-term health impacts for our nation and are important considerations for our policy makers in the reform of Australia's health system.

In my role as Chair of the National Health and Hospitals Reform Commission, we identified a vision for a health system that is agile and responsive to emerging health needs and that which tackles the major access and equity challenges that it currently faces. A responsive health system needs to be flexible and adaptive beyond those factors we can predict with some degree of certainty, such as population ageing, but also needs to plan for threats such as the rapid spread of infectious diseases and external events such as recession and natural and man-made disasters.

This report offers a timely reminder that the economic downturn is more than just a financial event. The consequences, in ways that we don't presently fully understand, will flow through our health system for years to come. It offers a further contribution to improve understanding of the social and economic impacts on health, and how health systems need to be designed around the people who are at the centre of care. It also emphasises the importance of research and its relevance to social and health policy. There remain many gaps in our knowledge. Just as the health and wellbeing of our community contributes to our economic prosperity, so too economic pressures impact on our health.

Today's unprecedented opportunity to reform our health system is indeed timely.

EXECUTIVE SUMMARY

In 2009, the world economy will contract for the first time since World War II, leading to reduced production, increased unemployment and reduced incomes. It is predicted that more Australian workers will be unemployed and under-employed during this recession than at any time in our history with the number already exceeding one and a half million.

There is a wealth of evidence from around the world that social and economic forces have a powerful influence upon health.

However the relationship between recession and health is complex and not always clearly defined by the research evidence.

It is likely that the recession will affect different groups in our community in different ways. In past recessions, young people have been over-represented in the unemployment figures. Those Australians in already disadvantaged communities, particularly on our urban fringes and in some parts of rural Australia, have been hard hit. This time, vulnerable groups will include people with existing mental health problems, men in middle life who lose their jobs, young and older workers.

An important distinction should be made between the short term impact on the health of those groups who are recently unemployed and likely to regain employment as the recession eases, and the broader risks associated with those people who lose their jobs and encounter long term disadvantage. There is strong evidence that associates long term disadvantage with poorer health.

Our analysis indicates the recession will increase short term unemployment which will have particular consequences for mental health.

The recession may lead to increased levels of psychological distress amongst both employed and unemployed Australians particularly amongst vulnerable groups.

International and Australian studies have demonstrated that the suicide rate amongst young males coincides with the unemployment rate.

When people become unemployed they are at increased risk of a range of mental health impacts including increased rates of anxiety and depression, relationship breakdowns, alcohol and drug misuse and suicide. Although studies suggest that mental health improves with a return to work we know very little about whether recession induced unemployment has health consequences down the track.

The recession will increase the numbers of long term unemployed who are at risk of long term disadvantage, which may be characterised by lower health status.

Some people who become unemployed during the recession will experience over twelve months without work, hence joining the ranks of the long term unemployed. In 1993 (the end of the last recession), 40% of unemployed males had been out of the workforce for 12 months or more. Economists such as Macquarie Bank's Brian Redican consider it is likely that the number of long term unemployed will double over the next two years. Economic and social factors such as unemployment, poverty, poor housing, and social exclusion create the circumstances that lead to poor health.

“Policy design and policy evaluation should be driven by analysis of all the available options, and not by ideology... We’re interested in facts, not fads”.

The Hon. Kevin Rudd, Prime Minister, April 2008

People who are already socially or economically disadvantaged will find it even more difficult to gain full-time work. Long term unemployment is more likely to be a problem for workers with low skills, low education levels, older workers and those with health problems. It is possible that recession will affect already disadvantaged communities, including some on the urban fringe and in some parts of rural Australia.

The effects of long term disadvantage on health are well understood – the long term disadvantaged are likely to experience shorter life expectancy, higher rates of chronic disease and injury and poorer mental health. However, we know very little about how to tackle the negative health effects of long term disadvantage.

Generally speaking we know even less about the long term health effects of specific, acute events like recession.

Health and other support services will be stretched

Health spending has increased at a rate higher than Gross Domestic Product (GDP) growth. Health spending in 2007–2008 was \$104 billion or 9% of GDP, with \$43 billion funded by the Commonwealth Government. For 2009-2010, the Commonwealth has budgeted to spend \$51.2 billion on health. With no policy change, health and aged care costs are projected to rise from \$84 billion in 2003 to a massive \$246 billion in 2033, largely as the result of the ageing of our population.

Recession will add to the increasing demand for health and social services created by an ageing population. Declining government revenues, through reduced taxation receipts will put pressure on health care budgets. As revenue decreases, this may add a financial constraint to the ability of governments to implement longer term health system reforms. The global financial crisis has also had a substantial impact on the income of charities, making it more difficult for non-government organisations to assist the disadvantaged.

National productivity may suffer

Calculations by Macquarie Securities suggest that the number of long term unemployed may increase from around 66,000 in mid 2008 towards 150,000 by 2010. Roughly speaking, one in four people who become unemployed will likely join the ranks of the long term unemployed. In the context of an ageing Australia, the availability of a skilled workforce will be critical to national productivity, particularly as economic prosperity returns.

Implications for research

The evidence base on the health impacts of economic recession is limited and often ambiguous. For example, there is contradictory evidence about the impact of short term changes in economic circumstances on mortality, on cardiovascular disease and on accidents. We also know little about how to modify the effects of a recession on the long term disadvantaged.

To date there has been little research on what health care interventions can best address the impact of unemployment on health. Such research might assess the impact on short term health markers at individual and household level, including on hypertension, obesity, smoking levels, access to health services, and subjective markers of health and wellbeing including alcohol consumption and indices of wellbeing.

EXECUTIVE SUMMARY (CONTINUED)

We are far from achieving the Prime Minister's vision that policy design should be driven by analysis and evidence. However we now have a better understanding of the research questions we should be exploring and a chance to develop knowledge that will enable more evidence driven policy in the future.

Knowledge gaps include:

- ▶ **How do sudden economic changes like recession impact on health?**
- ▶ **What is the impact of short term unemployment on health?**
- ▶ **How can we support research that provides answers about the complex, intersectoral policy and programmes that may reduce the impact of this recession – and the next?**
- ▶ **What is effective public policy for reducing the health impact of long term disadvantage?**
- ▶ **Is our health system adequately resourced and do we have appropriate policies and programmes in place to meet the immediate challenges of recession and its legacy?**
- ▶ **How do we minimise the recession's long term impact on national productivity?**

Recession is affecting some Australian's access to health care

About one-quarter of Australians say they have avoided or delayed visits to a GP, dentist or specialist due to the global financial crisis, according to a survey conducted for Research Australia.

As well, 20% said they had put off buying new or replacement prescription glasses as result of the economic crunch, while 13% scaled back their use of allied health services and 5% had put off elective surgery.

The survey also found that 9% of respondents said they had reduced or cancelled a gym or related membership, 11% reduced or cancelled private health care membership, 9% had sought assistance for stress or anxiety, and 9% stopped or scaled back on prescription drugs.

But the research, conducted by Crosby Textor, also reveals mixed views about personal and household financial prospects over the next 12 months, with 50% saying they think they will be about the same as now, 23% saying they will be better off and 23% worse off.

While 51% of respondents said they had been hit by the economic crisis, 34% said they had not been affected, and 9% said it had had a positive effect. Qualitatively, the most commonly reported health effect of the global financial crisis was related to the stress caused by increasing unemployment (including more partial employment) and financial insecurity, including the impact upon retirement incomes.

Those who are employed, whether full-time or part-time, had a more optimistic outlook for the year ahead than those who are unemployed, including retirees and pensioners.

The results are drawn from an online survey during early July of a representative national sample of 806 people 18 years of age and older.

Source: Research Australia Public Opinion Poll 2009. www.researchaustralia.org

1. WHAT DOES RECESSION MEAN?

Australia has suffered a number of economic downturns since the Great Depression. The most recent recessions were in the mid 1980s and the early 1990s. David Gruen, Executive Director at the Commonwealth Treasury, has defined a recession as a “sustained period of either weak growth, or falling real GDP, accompanied by a significant rise in the unemployment rate.” Thus, while the current downturn is likely to be milder than those two events, it nevertheless qualifies as a recession.

In 2009, the world economy will contract for the first time since World War II, and ever-changing economic forecasts confirm that only hindsight will tell us the true economic consequences of this recession.

During 2009, Australia moved into recession with flat growth for this year and Treasury forecast that the economy will retract by 0.5% during 2009–2010. Recovery will commence the following year with GDP forecast to grow by 2.25% in 2011–2012.

Nevertheless, it is clear that across the developed world, the unemployment rate will rise for some time. When considering the potential social and health impacts of this recession, rising unemployment is probably the key economic issue.

There is a lag time between declining GDP and its impact on employment but Australia is already experiencing a steady rise in unemployment. In the May 2009 Budget, Government and Treasury forecast that the unemployment rate will peak in 2010–2011 at 8.5% – up from 4.2% in 2007–2008¹.

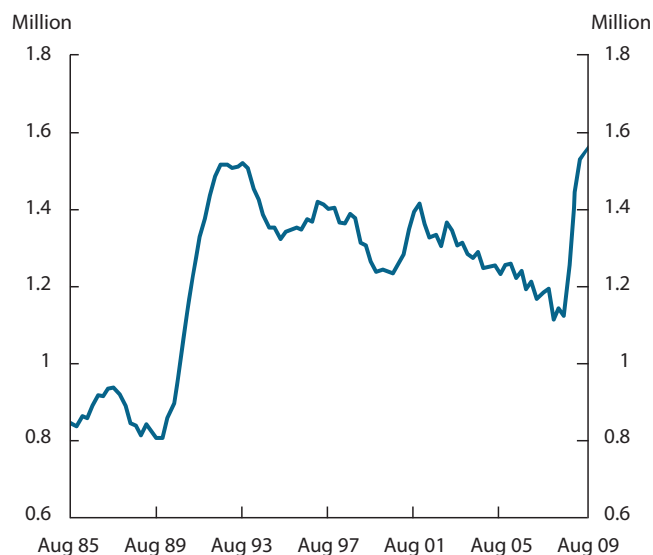
¹Note: This has been revised to a forecast peak of 6.75% in mid 2010



1. WHAT DOES RECESSION MEAN? (CONTINUED)

While the government has not published updated forecasts since then, Treasury Secretary Ken Henry recently said that he still expects employment “...to contract through to early-2010, with the unemployment rate expected to peak in late 2010. However, the unemployment rate is now not expected to reach the peak of 8.5% forecast at Budget.” But part of the reason why unemployment has not risen as sharply as many feared, is that more people are working fewer hours. Dr Henry noted that “the fall in hours over the last year is equivalent to the loss of more than 230,000 full-time jobs. Thus, the modest rise in unemployment masks a more severe income effect from the fall in hours worked.” Thus, when taking into account unemployment and under-employment, more workers will be affected during this recession than at any time in our history, with the number already exceeding 1.5 million people.

Number of Unemployed and Underemployed Workers



Unemployment will rise and bring with it a reduction in household income

The number of underemployed people may increase from 650,000 to 1 million during this recession. By the end of August 2009, the unemployment rate had risen to 5.8%, but importantly the labour under-utilisation rate (the sum of unemployed and those people working fewer hours than they would like) was 13.6% – compared to 9.9% in August 2008. In other words, in mid 2009, over 1.5 million Australians were looking for a job or were part-time employees who would prefer to work longer hours. and financial insecurity, including the impact upon retirement incomes.

2. WHAT ARE THE HEALTH IMPACTS OF SHORT TERM UNEMPLOYMENT?

For some people – particularly those who are financially secure, who retain their jobs, and who are generally experiencing good health, supportive and stable living environments – their immediate outlook may be unchanged. Others won't be so lucky, experiencing reduced financial means as a result of unemployment or fewer working hours.

There are lots of intriguing findings from research in Australia and overseas, but not enough evidence to draw firm conclusions in many areas. Some impacts may be transient, with good health restored as financial pressures ease. Other impacts may be immediate but have lifelong consequences. One conundrum is whether short term unemployment and/or financial stress may have health consequences that only emerge over time.

Implications for mental health

Mental disorders are more common among the unemployed. This finding is consistent with numerous Australian and international studies which show that when people become unemployed they are at increased risk of depression and anxiety and that mental health improves with a return to work. For example, European studies have shown that with increasing rates of unemployment, there was an increase in suicides and homicides particularly among the young and increases in deaths from alcohol abuse. Other studies suggest that job loss increased the risk of hospitalisation due to alcohol related conditions among both men and women and hospitalisations due to self-harm among men.

Certain groups are more vulnerable and they include those with existing mental health problems, men in middle life who lose their jobs and young people. Some mental disorders have their onset in the late teenage and early adult years. While being in secure employment or education is a strong protective factor, being unemployed or under-employed puts a young person at greater risk of longer-lasting mental health problems.

The 1998 Australian Burden of Disease study showed that mental disorders and substance abuse accounted for close to 30% of health related disability. They are the major contributor to health-related labour force non-participation. Researchers like Professor Ian Hickie, Executive Director, Brain and Mind Research Institute, have expressed concern that recession may see increased levels of psychological distress in those who are employed as well as those who become unemployed. This general increase in distress is likely to have major effects on national productivity (due to the well-established links between mental disorders and reduced work performance), as well as on personal health and wellbeing.

According to Professor Hickie, when unemployment rises so do mental health problems, relationship breakdowns, alcohol and drug misuse, chronic health difficulties, deliberate self-harm and suicide.

Professor Hickie also points out that there is strong evidence that the 30% reduction in suicide in Australia from its peak in the mid-1990s was due to a combination of a strong economy and the direct benefits that were derived from providing better health care for those with common problems such as anxiety and depression. This highlights the importance of improving access to support services, particularly for those who are unemployed or going through tough financial times.

2. WHAT ARE THE HEALTH IMPACTS OF SHORT TERM UNEMPLOYMENT? (CONTINUED)

Mortality

The impact of unemployment on mortality is not well understood and indeed the evidence is somewhat contradictory. However, interestingly, studies in Australia and internationally found that with increasing rates of unemployment, there was an increase in suicides particularly among the young and in homicides.

Associate Professor Deborah Schofield from the Northern Rivers University Department of Rural Health has drawn our attention to an interesting UK study showing that among well people who lost their job in the 1980s, the mortality rate over the next ten years was 37% higher than for those who remained employed. One researcher estimated that for every \$10 per person invested in active labour market programs, there was a statistically significant reduction in the effect of unemployment on the incidence of suicide.

Intriguing UK research showed that wives of men who became unemployed had 20% higher mortality than their counterparts whose husbands remained employed.

Other studies suggest that mortality rates are higher in good economic times; for example research across 23 OECD countries found that a 1% decrease in national unemployment rates is associated with a 0.4% growth in mortality including that for cardiovascular disease, motor vehicle deaths and other accidents, although this has not been a consistent finding.

Accidents

There is some interesting but contradictory research about the impact of sudden economic change on road and other accidents. There is some evidence of a decrease in hospitalisation rates for accidents among men who had lost their jobs due to factory closures and that increases in unemployment are associated with decreases in road traffic deaths. People have speculated that poorer economic circumstances mean less travel and exposure to other risk environments including the workplace. Not all studies have found these decreases though.

Losing your job: are there health impacts beyond mental illness?

Factory-closure studies (which are analogous to sudden unemployment seen in recessions) have demonstrated increased diagnoses of cardiovascular disease, high cholesterol and high blood pressure along with higher health service use amongst those who lost their jobs. A study of New Zealand meatworkers compared the health of almost 2000 workers made redundant when a meatworks closed in 1986, with an equivalent group in another meatworks. In the following eight years, episodes of serious self-harm in the factory closure group were double those of their peers. In this study there was no excess mortality, cancer diagnoses or hospital admissions.

The Obesity Epidemic: Will the recession help or hinder?

Researchers like Associate Professor Tim Gill suggest that we know little about the key factors that drive dietary behaviours and how they may change in times of economic downturn. Will recession see us witness shrinking wallets and expanding waistlines? Australia is suffering from an obesity epidemic. National Health Survey data from 2007–2008, shows that 68% of adult men and 55% of adult females are overweight or obese. Obesity is a risk factor for a number of diseases, most importantly diabetes. The increase in numbers of overweight and inactive Australians has led to a doubling of the prevalence of diabetes between 1990 and 2005. By 2005, 700,000 or 3.6% of the population had been diagnosed with diabetes and if the number undiagnosed is added to the tally the likely number of people with diabetes in 2009 is 1.5 million. 85–90% of this group have type 2 diabetes – a disease which is largely preventable.

Obesity and diabetes are strongly associated with socio-economic disadvantage, low education levels, and physical inactivity. People who are overweight and have diabetes develop more complications from their diabetes – more heart attacks, more strokes, and more kidney problems. Type 2 diabetes is more common in older, poorer and non-Caucasian Australians. Rates amongst indigenous people are three times higher than the population as a whole and outcomes much worse.

Increases in food prices coupled with declining incomes are putting pressure on food purchasing that favours poor diets, particularly for disadvantaged families. Australian households spend 17% of their income on food and non-alcoholic beverages. However, the lowest income bracket spends proportionally more of their disposable income on food. In 2004, Victorian researchers found that the weekly cost of a basket of food to provide a nutritionally adequate intake for a family of six was \$180. This represents a significant impost for families in the lowest 20% of incomes where total household expenditure averages \$413 per week. One in four of these low-income Australian families report that they often run out of food between paydays and cannot afford to buy more. The increasing demand on charities for emergency food relief is testament to a food insecurity problem that may worsen as the recession takes hold.

Changing dietary patterns

Nutrition researchers like Associate Professor Tim Gill, Principal Research Fellow at the Boden Institute of Obesity, Nutrition and Exercise at the University of Sydney, fear this recession could have a profound effect on diet and health due to a combination of reduced family incomes and rising food prices. Poor food choices may mean higher calorie intake and weight gain, promoting type 2 diabetes and other obesity-related illness.

Evidence from recent economic downturns and analysis of dietary patterns of poorer people suggests that reduced incomes and, in turn, reduced spending on food may correlate with a reduction in the nutritional quality of the overall diet and, paradoxically, a greater likelihood of over-consumption of calories. In these circumstances, more expensive but nutritionally superior fresh produce is replaced with cheaper ready-prepared or processed foods.

Further research is needed to develop a better understanding of how the social and economic factors associated with unemployment arising from recession, impact on short and long term changes in dietary patterns, and hence health.

2. WHAT ARE THE HEALTH IMPACTS OF SHORT TERM UNEMPLOYMENT? (CONTINUED)

Potential upsides to recessions

Some commentators believe that community outrage at the causes of this recession will produce a renewed concern about social justice and a fair go for all. There may be some interesting synergies in community sentiment that arise from concern about sustainable environments and sustainable societies.

Social researcher Hugh Mackay believes that this recession may add momentum to a mood change in the Australian community that started to emerge in 2005. After a decade or more of disengagement coinciding with the boom times and cumulative anxiety about the pace of economic and social change, there are signs that the public is starting to re-engage, becoming more concerned about the plight of the poor, more tolerant of difference and more interested in the big public debates. There was a sense by then that material excess had got out of hand, simple pleasures are best and community is important. He believes the recession may reinforce this trend. He is optimistic that the recent mood-shift will moderate the rampant materialism and self-indulgence of the past decade, with more attention being given to issues of social justice and fairness. But he acknowledges that a quick economic recovery might actually work against this process.

In a similar vein, Professor Fiona Stanley, Director of the Perth-based Telethon Institute for Child Health Research, and Dr Jianghong Li, from the Curtin Centre for Developmental Health, believe more frugal times could have some unexpected benefits if they lead to parents and children having more quality time together, more community participation and building of social capital as people appreciate that we are 'all in the same boat'. We may even see a return to public transport and walking as our preferred modes of transport.

Some industries may benefit from the downturn. For example, relative labour force shortages in the farming sector may be relieved as a pool of workers – skilled and unskilled – become available from declining mining and construction sectors.



88% of working men had a full-time job in the mid 1960s. Today the figure is 65%.

The Australian, 7 November 2009

Short term unemployment – research implications

We know relatively little about the health impacts of short periods of unemployment or cyclical economic downturn. The current recession provides an opportunity to conduct research to help inform future policy.

We should encourage research that maps trends in health over time. Over the past decade or so, Australia has greatly increased its capacity to do this sort of research. Routinely collected information about doctor visits, hospitalisations, cancer, births and deaths can map changes in health that occur with recessions. Western Australia has led the way in using routinely collected data – researchers are able to use cross-jurisdictional data and link health, education, child protection, disability services, juvenile justice, police and Australian Bureau of Statistics data. The current investment by government in ensuring better use of routinely collected data through the National Collaborative Research Infrastructure Strategy will help build our national capacity to use this data effectively in the future. Additionally, the capacity to link existing information to data about employment, social welfare and immigration would make these routinely collected data qualitatively more valuable in understanding the impact of recession.

Cohort studies add important information about individuals that are not available from routinely collected data. In Australia, large cohort studies such as the Australian Longitudinal Study of Women's Health and the 45 and Up Study already collect data about individuals over the course of many years including data about demographic, health and lifestyle characteristics. These studies link personal information to routine government sponsored data collections and could provide valuable insights into the impacts of recession.

However, Australia lacks research capacity to make best use of these rich sources of information that could enable us to better understand the health impacts of recession. The development of a research workforce that has appropriate skills in analysis and interpretation would help us make best use of this data. More secure long term funding for cohorts and registers would ensure that the value of these resources was fully realised.

In-depth research is also needed to improve our understanding of how different segments of the community are affected by recession.

Most of what we know about the health consequences of recession comes from research that has studied the impact of sudden economic change on a particular group. In-depth studies can help us understand who is most at risk following economic change and how best to reduce the consequences. One example comes from studies of people affected by factory closures, enabling a relatively small group of people impacted by the same economic event to be followed over time and compared to their peers who remain employed.

This kind of research takes advantage of a natural experiment arising from economic change. As it is opportunistic, it requires fast-track funding to enable researchers to study rapidly changing circumstances and their health and social consequences.

Research about the relative impact of different policies and programs used by different countries to mitigate recession would also help us to develop an evidence base for public policy. International comparisons could yield valuable information about the effectiveness of the differing interventions implemented by governments globally in a range of economic, social and health domains. The landmark 2008 report by the World Health Organisation, *Social Determinants, Closing the Gap in a Generation*, demonstrates this kind of approach.²

²Available from: www.who.int/social_determinants/final_report/en/

2. WHAT ARE THE HEALTH IMPACTS OF SHORT TERM UNEMPLOYMENT? *(CONTINUED)*

Knowledge gaps:

- ▶ **What are the most likely health impacts of recession for those who experience short term unemployment or financial stress? Who is most vulnerable? What can be done to diminish the impacts for these people?**
- ▶ **Are there upsides of the recession? Does it stimulate greater community engagement or more quality family time?**
- ▶ **What factors mediate the relationship between social and economic disadvantage and higher levels of obesity?**
- ▶ **How do price changes impact upon demand for different food items and what specific food purchasing behaviours occur as a result of a reduced household food budget?**
- ▶ **Are opportunities for individuals to be physically active increased or reduced in a recession or as a result of unemployment?**

Action points:

- ▶ **Health services and programmes and the community must be appropriately resourced to meet an increase in mental health problems.**
- ▶ **Fast-tracked research funding should be made available to enable the study of rapid changes in the economy.**
- ▶ **Investments should be made in research infrastructure to map long term health trends and enable analysis of this information to inform policy development.**
- ▶ **Australia should develop its capacity to encourage and to lead international comparisons.**
- ▶ **Development of programs and policies to support financially vulnerable groups to promote appropriate dietary intake, physical activity and other lifestyle behaviours.**
- ▶ **Research and modelling should be undertaken immediately on the impact of a range of economic strategies (taxation, subsidies, grants or pricing controls) which could help ensure that all Australians continue to access a wide range of nutritious foods at prices that will encourage consumption.**
- ▶ **A comprehensive, ongoing food, nutrition and physical activity monitoring system should be instituted in Australia to allow the assessment of changes in these behaviours in Australians and how they are influenced by economic circumstances.**

3. WHAT DOES RECESSION MEAN FOR THE HEALTH OF THE LONG TERM UNEMPLOYED?

For some Australians, the recession may exacerbate or cause long term disadvantage. The health effects of long term disadvantage are well documented and profound.

Long term disadvantage is bad for health

For those who are already disadvantaged, the immediate socio-economic impact of recession may exacerbate their difficulties, particularly for those jobless people and their families who do not rejoin the workforce as the economy recovers.

In Australia there is little doubt that joblessness is the major cause of poverty, which in turn may be a pathway to ill-health. However, the relationship is complex, with ill-health itself causing unemployment and impacting on educational attainment.

In contemporary Australia, 25% of the workforce has a year ten education or less but this rises to 65% for those with a disability, 70% of jobless sole parents, and 64% of the long term unemployed. The combination of poor education, poor health, family breakdown and geographic concentration of disadvantage creates intergenerational disadvantage – the children born to the poor are themselves more likely to be poor and to inherit their parents' poor health. These groups are at particular risk during an economic downturn.

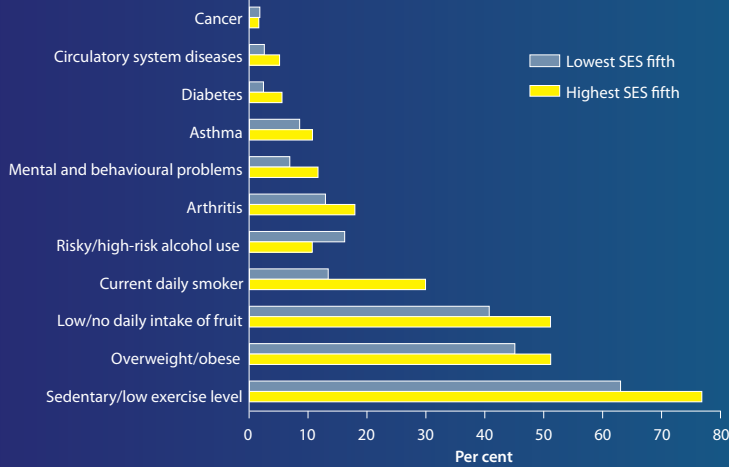


3. WHAT DOES RECESSION MEAN FOR THE HEALTH OF THE LONG TERM UNEMPLOYED? (CONTINUED)

Socioeconomic status and health

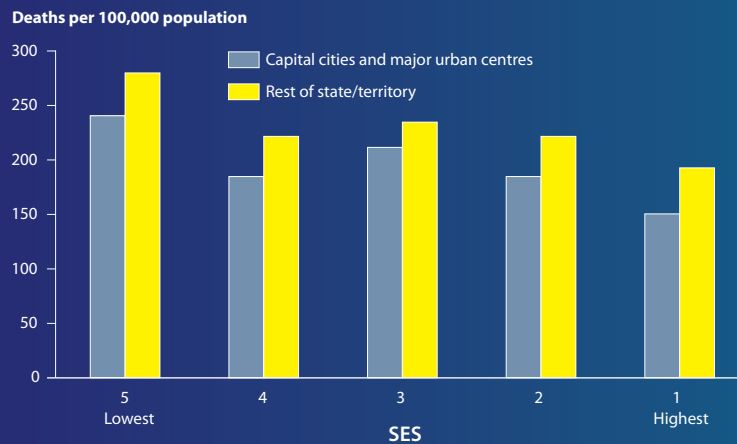
It is well recognised that there is a social gradient in health; overall health and wellbeing improve with each step up the socio-economic ladder. In Australia, people who are socially and economically disadvantaged are more likely to smoke, have poor diets and less likely to exercise. They are more likely to be obese and to have higher rates and poorer outcomes across a range of illnesses including diabetes, cardiovascular disease, arthritis, mental health problems and respiratory problems, including asthma. Given this, it is not surprising that the disadvantaged have a shorter life span. These groups are more likely to use health services (doctor and hospital visits) but access fewer preventative health and dental services.

Long term disadvantage associated with poorer health



(Source: AIHW Australia's Health 2008)

Proportion of people 18 and over reporting selected health risk factors and long term conditions by SES status 2004-2005.



(Source: AIHW Australia's Health 2008)

Recession adds to the pool of long term unemployed

Recession will make it more difficult for those who were unemployed or underemployed before the recession to gain employment. This potentially adds to the pool of long term unemployed. A pernicious aspect of recessions is that the prospect of finding a job declines with the length of time out of the workforce.

In the 1990s recession, the number of long term unemployed rose from 170,000 to 438,000. By 1993, the long term unemployed accounted for nearly 40% of those unemployed, with unskilled workers living in areas of relative socio-economic disadvantage being disproportionately represented. Although Australian Bureau of Statistics data suggests that the long term unemployed constitute a much smaller percentage of the unemployed in 2009 than in 1990 (13% versus 20%), Brian Redican expects that the number of people joining the ranks of long term unemployed will more than double in the next couple of years.

Headline labour force data, including rates of unemployment and under-employment, may fail to properly account for the 'hidden' unemployed, including those who have lost jobs and moved on to the Disability Support Pension (DSP) and other income support. Some suggest that the DSP becomes a 'parking lot' for people who are out of work, particularly older workers. During the last recession, uptake of the DSP increased substantially; from 307,000 in 1989 to 406,000 in 1993. There are currently 750,000 DSP recipients with an expectation that numbers will track upwards alongside rising unemployment, despite Commonwealth plans to tighten eligibility criteria. Arguably, DSP recipients are part of the pool of long term unemployed.

Younger people may be more vulnerable to unemployment and its effects

In past recessions young people have been over-represented in the unemployment figures. In some parts of Australia during the 1980s and early 1990s, the unemployment rate in people aged 15 to 24 was 30–35%. In the Illawarra, it was 40% in 1992.

Studies demonstrate a link between the duration of unemployment, worsening psychological disturbance (particularly depression and substance abuse) and the risk of suicide attempt. Disturbingly, the suicide rate in young jobless males correlates directly with their unemployment rate.

Rising unemployment rates may have adverse psychological impacts on young people that are independent of personal experience of unemployment. Young people may find themselves in jobs they don't like or face job insecurity, both of which create psychological disturbance, including feeling unhappy, depressed and stressed from not having control over their lives. Young people are more likely to be hired as casuals and to experience the 'last on, first off' phenomenon. The pattern of supportive work relationships, mentoring through good and bad times and collective team action that characterises established employment is less likely to occur in more transient or more isolated work settings.

3. WHAT DOES RECESSION MEAN FOR THE HEALTH OF THE LONG TERM UNEMPLOYED? (CONTINUED)

Impacts on the health of our children

Professor Fiona Stanley, Director of the Telethon Institute for Child Health Research and her colleagues including Dr Jianghong Li from the Curtin Centre for Developmental Health, have demonstrated clearly the relationship between socio-economic disadvantage and the health and wellbeing of Australian children. They are concerned that rising unemployment, reduced household incomes and decreased spending by government on health and welfare services will have negative impacts on the health and wellbeing of children, particularly for disadvantaged families.

Child mental health

Does recession impact on child mental health and development? Research based upon the Western Australian Child Health Survey in 1993-1994 provides us with a good picture of what followed the 1990-1991 recession. Those studies demonstrate both short term and long term impacts of unemployment and low family income, with the most vulnerable being children born to low-income families and in particular unemployed single-parent families. In relation to the impact of unemployment the survey showed that mental health problems were much more common in families with one or both parents unemployed and most common in single parent unemployed families. About 21% of families where both parents were employed had at least one child with mental health problems and this rises to 49.6% in unemployed single parent families. Similarly, there were strong income gradients in child mental health, with a large disparity between the highest and lowest income groups: 25% of the children aged four to 16 years living in families ranked at the lowest income level, had mental and behavioural problems, compared to around 14% – 16% of children whose family incomes were ranked highest. These findings are consistent with more recent Australian research that has demonstrated parental employment is positively associated with better mental wellbeing in adolescents.

Do the circumstances of pregnant women impact on their child's development? Longitudinal data from the Western Australian Pregnancy Cohort Study (the Raine Study), showed that pregnant women living in households with low family income (below \$24,000 in 1993) were more than twice as likely than mothers with higher family income to give birth to children who exhibit mental health and behavioural problems at both ages two and five. This effect is independent of other socio-economic status indicators (maternal education, family structure, maternal ethnicity, maternal age and smoking in pregnancy) and biomedical factors such as maternal age, child gender and number of siblings. When considering the potential impacts of this recession, perhaps the most striking finding was that mothers, who had experienced financial stress in pregnancy, including job loss herself or by her partner, were more likely to have children with mental health problems irrespective of family income and other socio-economic factors. Mothers who had experienced financial problems in pregnancy were also less likely than those who did so to breastfeed their infants for six months or longer. Research has shown that breastfeeding offers a broad range of benefits for child health and development, including child mental health as shown in most recent research.

Impacts on the health of our children

Educational achievement and intellectual disability

Will recession impact on children's educational attainment and the prevalence of intellectual disability in our communities? Our best guide is what we know from research that followed the recession of the early 1990s.

Studies based on the WA Child Health Survey conducted in 1993–1994 showed that parental income, unemployment and poverty were strongly associated with children's academic competence. For instance, 35% of children aged four to 16 from families where both parents were unemployed reported to have low levels of academic competence compared to 15% where both parents were employed. The outcomes were correspondingly worse for single parent families.

In other studies using a variety of sources, researchers from the Telethon Institute for Child Health Research have found that birth outcomes interact with socio-economic disadvantage to influence numeracy and literacy attainment in grade three children. As well, Institute researchers have found that mild and moderate intellectual disability was five times more common in children of mothers residing in disadvantaged areas.

Recession makes it harder for older people who become unemployed

In the 1990s recession, unemployment rates were much higher in older workers who also disproportionately contributed to the group of long term unemployed. Health status is a confounding variable for older workers so that illness may prevent a return to work when the economy recovers. It is too early to tell whether older workers will bear the brunt of rising unemployment, but the baby boomers of this recession may have quite different educational, health and skills characteristics to their 1990s counterparts born between the Great Depression and World War II. However, we know that labour force participation is closely linked to health for older Australians. For instance, about 40% of Australian men and 25% of women retire early because of ill-health.

Unemployment can have long term impact : a case study

A 57 year old man developed depression following loss of his business and stock market investments in late 2008. In November he 'went bush' and was later found wandering and confused in the Flinders Ranges after taking an overdose of medication. He recovered slowly but has been left with significant short term memory problems. When discharged from hospital he moved in with his ex-wife who thought he would stay with her for a short period of convalescence. However, by mid 2009 he still could not live independently and his ex-wife had become his carer. In September 2009 he was taken to the local Emergency Department after he threatened suicide and cut his wrist. He also threatened to harm his ex-wife. It became clear that the man remained seriously depressed and an alcohol binge had exacerbated his emotional state. The couple lived in a regional centre and had not been able to access social or mental health services. Following presentation to hospital, these services were mobilised but it is clear that the man will never return to work and his ongoing health problems have significant implication for him and his family, particularly his ex-wife who remains his only social support.

3. WHAT DOES RECESSION MEAN FOR THE HEALTH OF THE LONG TERM UNEMPLOYED? *(CONTINUED)*

Country people may be more vulnerable

Although country people are facing different problems to the long term unemployed, the impact of the recession may be similar because it is adding to already existing disadvantage.

The Australian Rural Health Alliance believes that rural Australia is generally more vulnerable to the impact of the global downturn than urban Australia, with rural Australians already having lower incomes, lower levels of education, higher rates of tobacco and alcohol use, and higher rates of obesity. Health outcomes are poorer with death rates that increase as we travel further from urban centres. Death rates in remote Australia are 1.7 times higher than in cities.

Rural Australia is generally less readily equipped economically to deal with downturn. With the exception of some mining towns, rural Australia slightly lagged behind the major cities in benefiting from the recent economic boom, with Australian Bureau of Statistics figures for unemployment showing overall rural and regional unemployment slightly higher than for major urban areas and labour market participation rates lower. Between 2003–2004 and 2007–2008, employment in manufacturing and agriculture contracted by 0.3 and 0.8% respectively, compared to employment in the mining sector that grew at an average of over 10%. Participation rates are about 5% lower outside major cities, leaving rural families more dependent on one income and more sensitive to adverse employment trends.

Research and analysis undertaken by Dr Erica Bell (Deputy Director) at the University Department of Rural Health, University of Tasmania, suggests that the socio-economic effects of the global financial crisis may increase the vulnerability of rural Australians to preventable illnesses. The health of older Australians in rural communities is likely to be disproportionately affected, as well as that of newly poor groups such as 'tree-changers', as the negative impact on these communities of concentrated unemployment is felt alongside further deterioration in access to health and social services.

Impacts on family size

One unexpected outcome of economic prosperity has been an increase in the Australian birth rate. Dr Jane Ford and Associate Professor Christine Roberts have suggested that the rise in the birth rate between 2004 and 2006-07, particularly amongst those having their third or subsequent child, was caused by the financial incentive provided by the federal government's baby bonus payment. Whether recession will see a reversal of this trend remains to be seen.

Changing family size has implications for the provision of maternity services with anecdotal reports that the baby bonus boom caught service planners by surprise. Like other developed countries, over recent decades Australia has seen a trend towards delayed childbearing. There is concern that recession may exacerbate this trend. Research by Associate Professor Roberts has shown delayed child bearing is associated with adverse outcomes including bleeding during pregnancy, pre-term birth and increased likelihood of operative delivery.

A key question is not simply whether the recession will further increase the health divide between urban and rural and remote Australia, but whether it will eliminate the hard-won significant gains made over the last decade in the health of people in 'the bush'.

For rural and regional Australia, the impact will vary according to the relative contribution to local economies of mining, tourism and agriculture. Mr Ben Fargher, Chief Executive Officer, National Farmers Federation, suggests that ten years of severe drought is having a far greater impact than this recession, although some industries and regions (such as dairy in south-eastern Australia) are feeling the dual impact of drought and falling commodity prices.

Much employment in regional and rural Australia is dependent on climatic conditions and global markets, and thus more subject to income variability and economic insecurity. The

more limited scope of employment of rural towns also increases the exposure of individuals to local economic downturn and reduces their access to services and support – more so than in major cities. Evidence from the second Whitehall study indicates that lower levels of job security, even though an individual may be employed, will substantially reduce health.

Farm safety

Increasing cost pressures may have implications for occupational safety in rural Australia. Death rates from injury are 1.3 to 3.2 times higher in rural Australia, major causes being motor vehicle trauma, suicide and work related injury. Mining, agriculture and forestry are amongst the most hazardous of occupations.

Research has shown that risk factors for farming injury include the absence of roll-over protective devices on tractors, absence of personal protective equipment when using chemicals, not attending farm training courses and very low farm incomes. It is not difficult to imagine that declining farm incomes could put further pressure on farmers to save money on farm safety despite occupational health and safety regulation.

While researchers are beginning to better understand the impact of the recession on different groups in the workforce we have little evidence about the interplay with health.

What does recession mean for rural and remote health?

For the people at Ravensthorpe and nearby Hopetoun, in the south-west of Western Australia, the recession has had a dramatic impact. When BHP Billiton made the announcement in January that it was shafting its new mine, it put a sudden end to the local boom that began when plans for the mine were announced in 2004. Several hundred workers left the area overnight, while businesses that had invested heavily in the boom were left devastated. A local businessman and former shire president, Mr Rick Besso, says the impact on peoples' health and wellbeing has been shocking.

"The financial pressure has manifested itself in problems between husband and wives or partners," he says. "You can see it around town. There have been police call-outs to deal with domestic violence."

The mine closure is not only a disaster for individuals, families and the community, but also for public revenue – the WA Government expects to lose many millions of dollars in royalties.

This case is a reminder that the recession will affect not only rural and remote health but also governments' abilities to fund services in these areas, says Associate Professor Dennis Pashen, Director of the Mt Isa Centre for Rural and Remote Health. "Access to health services is already less in rural and remote areas, and this may likely get worse as a result of the economic downturn in the mining and cattle industry," Professor Pashen says.

The economic downturn is likely to have multiple effects upon Aboriginal people and their health, according to Professor Jon Altman, Director of the Centre for Aboriginal Economic Policy Research at the Australian National University.

These include reduced opportunities for employment and associated lower income, falling demand for Indigenous art and cultural tourism, and increased cost of fruit and vegetables, especially in remote areas.

Professor Altman says it is unfortunate the main Federal responses to the downturn – including stimulus payments and subsidies for home insulation – are unlikely to have helped most Aboriginal people.

Meanwhile, the Aboriginal Health Council of Western Australia is calling for governments to formally monitor the impact of the economic downturn upon Aboriginal people.

For Professor John Wakerman, Director of the Centre for Remote Health in Alice Springs, the evidence is clear that the financial downturn will have an adverse impact on health, especially for particularly vulnerable groups such as Indigenous Australians.

"We know that health services aren't the main determinants of health, they are social and economic factors," he says. "As the economy worsens, over time one can expect worse health outcomes."

- This is an edited version of an article by Melissa Sweet that first appeared in Australian Rural Doctor magazine.

3. WHAT DOES RECESSION MEAN FOR THE HEALTH OF THE LONG TERM UNEMPLOYED? (CONTINUED)



Research to understand the health impacts of long term disadvantage

This recession will mean increased numbers of people experiencing long term disadvantage and the poorer health associated with this. However, we know very little about how to mitigate these impacts. Good quality research is lacking.

In the United Kingdom, the 1998 Independent Inquiry into Inequalities in Health, chaired by Sir Donald Acheson, canvassed this dilemma, summarising the research reviewed by the Inquiry as follows:

“[It] reflected a wealth of descriptive data documenting inequalities in health and a growing quantity of research exploring mechanisms. However, controlled intervention studies are rare. Indeed, the more a potential intervention relates to the wider determinants of inequalities in health (i.e. ‘upstream’ policies), the less the possibility of using the methodology of a controlled trial to evaluate it.”

The Acheson Report noted that income, education, employment, the material environment and lifestyle were likely to be major contributors to health disadvantage, and therefore the kinds of interventions required will be multi-sectoral and involve aspects of government and the community, beyond health.³

This implies that a different kind of research will be needed to inform policy directed at ameliorating long term disadvantage. Research that helps understand how to reduce the impact of long term disadvantage will require national leadership, an integrated multi-sectoral approach and different approaches to funding. The best way forward may be long term research programmes that involve researchers, policy makers and communities working together; if this research is to address important questions and contribute to sustainable initiatives, it will be embedded within the roll out of large scale programs and policies. There has been growing investment in this kind of research internationally.

³Note: *Independent Inquiry into inequalities in Health 1998 (The Acheson report)*. www.archive.official-documents.co.uk/document/doh/ih/contents.htm

While researchers are beginning to better understand the impact of the recession on different groups in the workforce we have little evidence about the interplay with health.

Professor Sally Redman,
Chief Executive Officer, SAX Institute
Chair of Economy and Health Working Group

One example of how some governments have instituted innovative multisectoral approaches comes from the UK, where the Sure Start programme aims to improve social and health outcomes for disadvantaged children, parents and communities. It uses a cross jurisdictional approach, led by Treasury, with a focus on improved services for children and increased employment opportunities for parents. Importantly, 10% of the programme budget funds independent research evaluating the impact of these interventions, so as to understand what works and what does not. Programmes like Sure Start will yield invaluable information about ways to reduce entrenched disadvantage.

In Australia, the need to support more research of this type was emphasised by the recent Report of the Review of Public Health Research Funding in Australia led by Professor Don Nutbeam. It proposed that Australia establish 'development funding' to develop and pilot test interventions that would subsequently become the basis for more substantial intervention research applications. It also recommended that there be a "funding mechanism that supports partnerships between researchers and health agencies, especially in the development of intervention research and the evaluation of health policy".

Knowledge gap:

- ▶ **How can governments act to limit the increase in long term unemployed and disadvantage caused by recession?**

Action point:

- ▶ **Support research that evaluates multisectoral strategies designed to reduce the impact of long term disadvantage.**



4. WHAT DOES THE RECESSION MEAN FOR THE HEALTH SYSTEM?

As the recession takes hold, it seems unlikely that the health care system will be immune from the effects of financial turmoil. We may see pressures to reduce spending on health, and people may ration their use of health care. Access to services will remain a key issue for rural communities, and the charitable and voluntary sector will likely face growing demand.

On the other hand, if some people working in the health sector decide to delay retirement it may lead to further employment growth in this sector.

Pressures to reduce spending on health

Like other OECD countries, Australia's spending on health has increased at a rate higher than growth in GDP. In 2007–2008 Australia spent \$104 billion on health – or 9% of GDP. 43% or \$43 billion of this spend came from the Australian Government, 26% or \$26 billion from state and local governments, and the balance from the non-government sector and individuals.

Despite concern that government spending on health might come under pressure as revenues fall, the Australian Government has maintained its health spending for 2009–2010. In the May budget, spending on health was increased by \$4.6 billion over four years – offset by \$3.4 billion in planned savings including means testing of the 30% private health insurance rebate. For 2009–2010, the Commonwealth has budgeted to spend \$51.22 billion on health.

Commonwealth and state governments fund public hospitals roughly equally. The main source of state government revenues is the proceeds of GST. For the first time GST-based payments to the states will fall this year. The shortfall for NSW over the next four years is forecast to be \$4.8 billion and revenues from payroll tax and stamp duties also typically decline during recessions, so state governments may look to decrease expenditure by cutting services.⁴ This may well coincide with an increased demand for services caused by increasing unemployment with its associated disease burden, increasing rates of chronic disease and an ageing population. Professor Philip Davies, School of Population Health, University of Queensland, suggests that there may be a move away from private sector services if patients face increased co-payments and higher private health insurance costs or find such payments unaffordable as incomes decline.

Most Commonwealth funded services (Medicare and the Pharmaceutical Benefits Scheme) are demand driven and essentially uncapped. Patients and their doctors determine when and what service will be provided, and the Commonwealth subsidises the cost of the service. In contrast, state funded services (mainly public hospitals) operate within fixed budgets. Increased demand can be dealt with by increasing annual budgets, reducing operating costs, improving efficiency, reallocating resources or rationing resources (increasing waiting lists for elective surgery). The politics of increased demand at a time of waning revenue is difficult but history suggests that the last of these options might carry most favour with state governments over the objections of their constituents.

⁴ Note: *The recovery in the housing sector might mean that overall stamp duties are actually rising. Also, while unemployment is rising, not many people are actually losing jobs, so payroll tax might also be flat.*

"In this tough economic climate pressure on the services that not-for-profit organisations deliver will undoubtedly grow. Organisations will need to reassess how they cope with this in the fact of declining revenues."

Rick Millen,
Price-
waterhouse-
Coopers,
July 2009.

Consumers may cut back on their health care

The Medicare system means that most Australians generally enjoy very good access to GP services. People with poor health and from areas of socio-economic disadvantage see their GP more often than better off Australians. However, the cost of pharmaceuticals might see some people ration their medication use and not fully comply with treatment, with flow-on consequences. The high cost of dental services and the poor access that many people have to dental care are a major public health concern, and declining incomes will only exacerbate these problems.

Consumers may ration their use of health services and pharmaceuticals if household incomes decline, and there is some evidence of this intention from the survey commissioned by Research Australia as referred to previously.

Access to services: a key issue for rural and remote communities

In rural and remote Australia, there are longstanding concerns about access to health care and affordability of care, and these may be exacerbated by the impact of the recession upon both health and service resourcing. Over 30% of Australians live outside the major cities, and have less access to health care services than do people living in major metropolitan areas. In rural areas, Medicare Benefits Schedule (MBS) outlays per capita are lower than the national average.

Poor access is particularly an issue for specialist medical and allied health care. A 2004 study found, for example, that there were 1.8 psychiatrists per 100,000 people living in remote areas, versus 3.3 in rural areas and 14.2 in metropolitan Australia.

Growing demand on charitable and voluntary sector

The not-for-profit sector delivers a wide range of health services, from hundreds of organisations that range in size from the Royal Flying Doctor Service down to small community-based groups. Funding comes from charitable donations, government grants, investment income and modest user fees. There is particular concern amongst the charitable sector that recession will see corporate donations and bequests from deceased estates decline along with investment income. A survey conducted by PricewaterhouseCoopers, the Centre for Social Impact and the Fundraising Institute of Australia showed that 60% of Australian charities reported a decline in revenues in the six months to mid 2009 and two-thirds predict that revenues will be lower in the short term.

Community-based groups like the Red Cross rely not only on monetary donations but also the efforts of volunteers and community support. They are an essential component of social capital; the combination of community participation and social cohesion that is so important to wellbeing. If they become less effective, there is risk that communities, particularly in rural Australia, will have less capacity and less resilience to meet the challenges of recession or crises such as bushfires, floods and drought that have been a feature of recent times.

4. WHAT DOES THE RECESSION MEAN FOR THE HEALTH SYSTEM? (CONTINUED)

Some potential positives

On the upside, Professor Davies suggests pressures on health workforce numbers may ease as some health professionals defer retirement and other dislocated workers move back into the health sector. The recession is likely to have mixed implications for the health workforce. A recent GP survey reported that 19% of GPs expect to lay off staff or reduce staff working hours. With the decline in retirement savings, 39% of GPs plan to delay their own retirement. The health workforce is older than the workforce as a whole and it may be that many health professionals will delay retirement. Some may even re-enter the workforce from retirement or from other sectors as employment opportunities contract elsewhere but grow in health in concert with increased demand.

With fewer jobs to go to, recession may see more school leavers move into tertiary study. Over the longer term, recession might see this pool of young people attracted to health careers given the health sector's relative job security. Workforce redesign in health might play a role here too with more opportunities for people and a broader range of skills required.

Equipping health services to meet challenges like recession

Our health system is already under stress – the needs of an ageing population are challenging our capacity to manage chronic disease and to balance acute and chronic care services. New, more expensive technologies for diagnosing and treating illness mean that difficult decisions need to be made about resource allocation. Recent reviews of our health care system such as the National Health and Hospital Reform Commission emphasise the need for substantial reform to improve care.

There is very little research in Australia or internationally examining the ways that health systems operate or the relative benefits or downsides to different approaches. Governments do not have the information that they need to choose between different reform options or to make our health systems safe and of high quality.

A recent article in the New England Journal of Medicine said that:

"In the past 7 years we have seen unprecedented interest in patient safety and the quality of health care... However we have also witnessed recent initiatives that emphasise dissemination of innovative but unproven strategies, an approach that runs counter to the principle of following the evidence in selecting interventions..."

Australia lags far behind in supporting research into health systems – in 2007, just 4% of research funds allocated by the NHMRC were spent on this kind of research.

Knowledge gaps:

- **What kinds of additional health and other services will be required as a result of the recession?**
- **Given increased demands on government funds, how can these services be provided in the most cost effective way?**

Action point:

- **More and better research is needed to understand how our health system and related sectors can best respond in the face of recession.**

5. WHAT WILL THE HEALTH CONSEQUENCES OF RECESSION MEAN FOR NATIONAL PRODUCTIVITY?



A number of contributors to this report have noted that unemployment and health are interdependent.

The health impacts of recession may have profound implications for Australia's national productivity. For some workers unemployment will lead to ill-health which, in turn, will prevent them returning to the workforce as the economy recovers. Older workers, the unskilled and those whose skills are lost with prolonged unemployment, may be particularly vulnerable. As the economy grows, background structural problems in our economy will re-emerge including the diminishing numbers of people of working age relative to the number of retirees. Governments need all of us to work longer. Indeed the decision to increase the retirement age to 67 is a policy response to this concern. Recession may impact negatively on productivity if some people who lose their jobs are lost to the workforce permanently.

Older Australians and productivity

In 2003, about 660,000 Australians between the ages of 45 and 64 years were not in the labour force due to ill-health, according to estimates by Associate Professor Deborah Schofield and her colleagues at the Northern Rivers University Department of Rural Health. The result, they estimate, was a reduction in Australia's GDP of about \$15 billion per annum.

In this age group, 45.6% of those not working cited ill-health as the reason. The major reasons for withdrawing from the labour market due to ill-health were; back, arthritis and related disorders, mental and behavioural disorders including depression, heart disease, and accident and injury. People with heart disease, mental health disorders or a combination of medical problems were much more likely to be out of the workforce than their healthy peers.

Productivity Commission modelling has shown that averting the impact of mental disorders offers the greatest potential to lift labour force participation.

As labour force participation is closely linked to health for older people, better health may facilitate better labour force participation in this group. Recent research by Associate Professor Schofield suggested that good economic times create an environment that is more favourable for older workers with health problems, with increased workforce participation amongst workers aged 45–60.

"There is an opportunity for firms to entrench feasible work practices introduced in response to the crisis."

Elizabeth Broderick,
Sex Discrimination Commissioner.
The Australian,
6 November 2009, p.33.

5. WHAT WILL THE HEALTH CONSEQUENCES OF RECESSION MEAN FOR NATIONAL PRODUCTIVITY? *(CONTINUED)*

Associate Professor Schofield suggests that the relationship between unemployment and health demonstrates a pressing need to manage both the employment and health outcomes of the current economic downturn. In particular, interventions to prevent the development of mental health disorders and heart disease should be given high priority, recognising the high probability that for the over 45s, development of these conditions may mean the end of their working lives.

Ultimately, there is a risk that poorer health outcomes in the Australian population, whether linked to recession or other causes, could lead to a lowering of productivity, reduced national economic performance, and reduced social and economic prosperity.

Action Point:

- **Government policies need to maintain employment and also target health issues to promote continued engagement in the labour market.**

2009 Treasury Report – Why Health Matters for Economic Performance?

This report makes a number of points about this complex relationship.

While GDP per capita affects health outcomes, it is also well established that health can have a substantial influence on GDP per capita. This impact takes place through population, participation and productivity.

To the extent that improved health outcomes lead to an increase in the proportion of the population that is of working age, they can lead to an increase in GDP per capita.

Health affects participation in a number of ways. Healthier people are more likely to participate in the workforce and less likely to be absent from work due to illness, either personally or within families.

Health has both direct and indirect effects on productivity. Good health contributes to productivity directly as healthier workers have more physical and mental energy and report less absenteeism to cope with health issues.

6. CONCLUSION

A two-way relationship exists between Australian's health and the national economy. Healthy people are more likely to be productive contributors to the economy. And a healthy economy that provides opportunities for employment, especially for disadvantaged groups and regions, is likely to have a positive impact on the population's overall health and in reducing health inequities.

It is important that governments, in their responses to the economic downturn, pay due regard to its implications for health. Declining birth-rates and the ageing of the population provide an added impetus for Australia to have a healthy and productive workforce.

However, this report has identified many important gaps in the knowledge base that could help guide policy.

We started this report with two questions:

- What have we learned about health from previous recessions?
- Can we predict the consequences for health of the current economic downturn?

The answer to these questions, unfortunately, is that our knowledge is patchy, and the lessons learned are few and far between.

While there is relatively strong evidence about the stress and anxiety generated by job loss, for example, there has been insufficient evidence to enable researchers and policy makers to make confident predictions about the broader health and social consequences of unemployment, whether short or long term. There is also very little evidence to inform public policy about strategies to ameliorate the impacts of long term disadvantage on health.

Additional studies are required to ensure decision makers are supported with strong evidence to guide the development of sound public policy.

The current recession offers policy makers and researchers an opportunity to improve the evidence base to guide future policy decisions, in both the short and long term.

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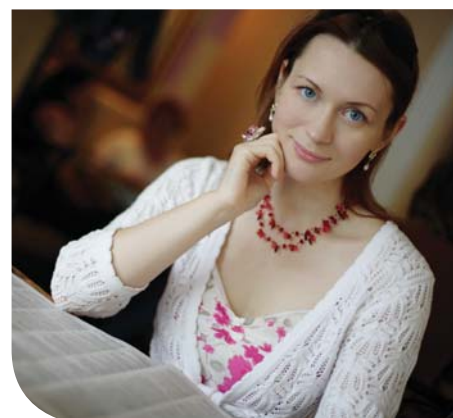
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