

Austerity Is Bad For Our Health

Submission to Commission on Quality Public Services and Tax Fairness | 2012

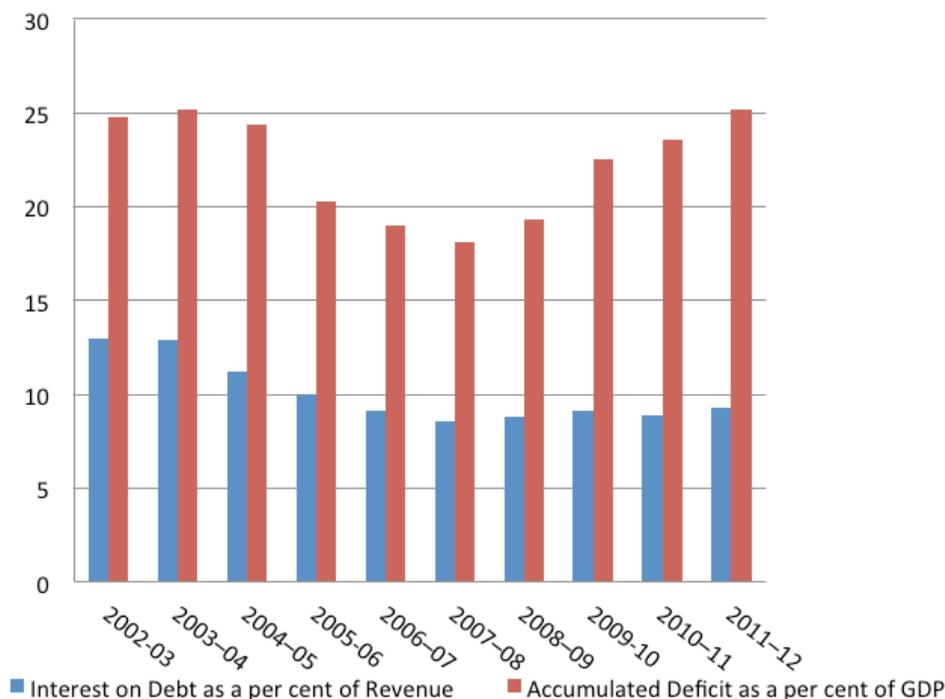
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INTRODUCTION

The Wellesley Institute is a non-partisan research and policy institute. Our focus is research and pragmatic policy solutions on issues of population health and health disparities. We appreciate the opportunity to present to this Commission, and to contribute to your important work. Government decisions on spending and taxation have a crucial impact on our health. And — this impact goes far beyond what is or is not in our health budgets.

We believe that fiscal prudence is important,¹ Revenues must be sufficient to pay for the public services that we need. Debt payments should be contained as a share of total expenditures. And, debt should not reach levels that result in rating agencies dictating government policies. As the graph below shows, while debt to GDP levels are rising, they are not above historic norms. And, due to historic low interest rates, interest payments as a share of revenues are actually lower than they were a decade ago. This suggests that we are not facing a fiscal crisis in Ontario.

Ontario: Accumulated deficit as a share of GDP and interest payments as share of revenue



SOURCE: ONTARIO 2011 BUDGET AND FALL STATEMENT

¹ For an articulation of the difference between fiscal prudence and austerity, see Himelfarb, A. (January 2012) Alex's Blog The Price of Austerity <http://afhimelfarb.wordpress.com/2012/01/16/the-price-of-austerity/>

Fiscal prudence requires that governments look at both revenues and the expenditure to reduce deficits. It is for this reason that we are heartened by media reports that the McGuinty government is considering delaying corporate tax cuts. However, the Premier's recent statement ruling out tax increases was unwise, and will put undue strain and emphasis on reducing government spending and government services.

The Premier's statement on tax increases and Don Drummond's position that increases in spending should be constrained to 1 percent, suggests that the government may be moving from a stance of fiscal prudence to one of austerity. This stance poses substantial risks to the health and well-being of Ontarians. The government must consider the economic, social and health impacts of the advice it receives from the Drummond Commission before acting on any of its recommendations. Because the economic and social impacts of any austerity program will affect Ontarians' health, the government should proceed with caution on the scale, timing, and scope of such an initiative.

Our work at the Wellesley Institute is largely focused on the social determinants of health, which are sometimes called "the causes of the causes" of ill health. It is well established that our health is dependent on factors such as housing, income security, racism, gender, and immigrant status. People with lower socio-economic status have worse health, and the distribution of socio-economic status is not random. For example, single parent families headed by women and racialized Ontarians, including Aboriginal Peoples, are more likely to be poor and marginalized. Because of the importance of these social determinants, the impact of government action on our health reaches far beyond the budget of the Ministry of Health and Long-Term Care.

A recent report from Statistics Canada provides a stark example of the impact of these factors on health. The difference in life expectancy at age 25 between the highest and lowest income groups was 7.1 years for men and 4.9 years for women.² While these differences are striking, an equally important finding is that life expectancy increases with each and every step in the income scale. Research found the gaps even greater in health-related quality of life. Once again there was an improvement in health at every step in the income scale.

As this research shows, the health impacts of government actions that improve social conditions are not limited to low-income individuals and families. This is supported by international research that shows that inequality has an impact on our health and well-being.³ In more equal countries people are healthier, live longer, and commit fewer crimes. These relationships hold among all income groups. Even for the highest income segment of the population, people are safer, healthier and live longer when they live in a more equal society.

IMPACT OF AUSTERITY PROGRAMS ON HEALTH

There are many ways austerity programs have an impact on health. Increased unemployment, lower job quality, decreased access to or levels of social benefits, and less access to services that support social inclusion will all have a negative impact on Ontarians' health. And, these impacts will fall disproportionately on Ontarians with lower socio-economic status.

Reducing government spending growth to 1 percent will reduce the real level of services available to Ontarians. These services, while benefitting all Ontarians, have a disproportionate benefit for people with lower income.⁴ A recent OECD report on inequality noted that Canada's taxes, benefits, and public services, while less effective than they have been in the past, still play a very important role in reducing inequality and therefore improving health. Together, benefits and social spending reduced inequality by 40 percent.⁵

The impact of an austerity program is not limited to the direct reduction in the level of services and the value of benefits. There have been reports in the media that the Drummond Commission will recommend more services be delivered privately. The most extensive evidence on the private delivery of public services is for US health care. The evidence shows that private services are more expensive⁶ and provide lower quality of care.⁷

The last 20 years show evidence of a series of failed experiments in introducing "market disciplines" or private sector delivery into public services: from water quality in Walkerton⁸ to increases in hospital-acquired infections resulting from

2 Tjepkema, M and Wilkins R (2011) Remaining life expectancy at age 25 and probability of survival to age 75, by socio-economic status and Aboriginal ancestry. Health Reports. 22 (4),p2.

3 Wilkinson and Pickett (2009) *The Spirit Level Why More Equal Societies Always Do Better*. Allen Lane: London.

4 Mackenzie, H Shillington, R. (2009) *Canada's Quiet Bargain: The Benefits of Public Spending Canadian Center for Policy Alternatives*: Ottawa, p.13.

5 OECD(2011) *Divided We Stand: Why Inequality Keeps Rising Country Note: Canada* <http://www.oecd.org/dataoecd/50/52/49177689.pdf>

6 Devereaux, P. J., et al. (2002). A systematic review and meta-analysis of studies comparing mortality rates of private for-profit and private not-for-profit hospitals. *Canadian Medical Association Journal*, 166(11), 1399-1406. And Devereaux, P. J., et al. (2002). Comparison of mortality between private for-profit and private not-for-profit hemodialysis centers: A systematic review and meta-analysis. *Journal of the American Medical Association*, 288(19), 2449-2457

7 9 Devereaux, P. J., Heels-Andell, D., Lacchetti, C., Haines, T., Burns, K. E. A., Cook, D. J., et al. (2004). Payments for care at private for-profit and private not-for-profit hospitals: a systematic review and meta-analysis. *Canadian Medical Association Journal*, 170 (12), 1817-24.

8 <http://www.cbc.ca/news/background/walkerton/>

contracted out cleaning services⁹ to the recent headlines about ORNGE. These all deliver one crystal clear message — market disciplines are best left to the private market for goods and services, where the costs of failure are limited to lost profits rather than lost lives. Oversight and accountability in the public sector are too complex and too important to be left to the blunt instruments of the market.

The impact of increased costs and poor quality services will not be felt equally by all Ontarians. They will have the largest impact on Ontarians who do not have the means to purchase services outside the public system, thereby reinforcing the adverse health impacts of being poor or marginalized.

Austerity programs by their nature slow economic growth. In the current period of economic uncertainty, it will certainly increase unemployment. The link between unemployment and ill-health has been clearly established. Research on the aggregate level has shown that high levels of unemployment in society and neighbourhoods are correlated with poor health and increased mortality.¹⁰ A recent IMF report, based on international evidence, shows that austerity programs increase unemployment, and long-term unemployment in particular.¹¹ The report also shows that the burden of austerity is disproportionately borne by wage earners rather than those who rely on profits or rents for their incomes.

The impact of employment on health is not limited to whether you have a job. The nature of the work we do — whether it is full-time, part-time or contract — the income we draw, the physical or psychological strain, and the conditions of work has significant health implications. If the government's austerity program eliminates good quality, public sector jobs and replaces them with insecure employment it will have an impact on the health of Ontarians. At a time when job quality is already decreasing in Ontario,¹² privatization will result in increased precarious work and greater health risks.

CONCLUSIONS

Fiscal prudence does require the Ontario government to reduce deficits. However, this reduction should be done wisely and with consideration of its economic, social and health impacts. The province is continuing to face slow growth and economic uncertainty; a sharp decrease in government spending will do economic and social harm. A deficit reduction program that relies solely on reduced spending will result in marginalized and poor Ontarians disproportionately bearing the burden. Any deficit reduction program should be viewed with an equity lens to determine who will be affected, how they will be affected. Policy decisions that increase inequality, and in particular health inequities, should be identified and rejected.

9 Murphy, Janis *Literature Review on Relationship between Cleaning and Hospital Acquired Infections* http://cupe.ca/updir/cleaning_and_infection_control.pdf

10 Block, S. (2010) *Work and Health Exploring the impact of employment on health disparities* Wellesley Institute: Toronto.

11 Ball, L. Leigh, D., Loungani, P (2011) *Painful Medicine Finance and Development* September 2001 pp 20-24.

12 Tal, Benjamin. January 25, 2012. *Canadian Employment Quality Index*. CIBC: Toronto.

The Wellesley Institute is a Toronto-based non-profit and non-partisan research and policy institute. Our focus is on developing research and community-based policy solutions to the problems of urban health and health disparities.

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