

# **THE IMPACT OF THE ECONOMIC DOWNTURN ON HEALTH IN WALES: A REVIEW AND CASE STUDY**

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## **Executive Summary and Recommendations**

### **Background**

The current economic crisis is likely to impact on mental and physical health in a number of different ways, though the shape and extent of those impacts will depend on decisions taken by national and local governments as well as employers. Individuals and communities may also differ in extent to which they are vulnerable or resilient to the stressors that an uncertain economic and labour market environment presents. Although this economic downturn has its own character it is important that the lessons of previous recessions and the longer term responses to them are learned in order to inform decisions that affect policy, spending, service organisation and delivery and interventions.

### **Aims and objectives**

The overarching aim of this review is to identify the potential impact of the economic downturn and the measures that may be taken to respond to it.

The underlying objectives are:

- To identify and explain how the economic downturn may impact directly and indirectly on the health of people and places
- To identify the mechanisms and characteristics that indicate who is likely to be vulnerable or resilient to the effects of the economic downturn
- To characterise the effects of previous government and public agency measures taken to respond to financial crises on health
- To identify interventions and policy approaches that may best protect health during and after the economic downturn

### **Methods**

Data were collected in three different ways: a literature review on what is known about the links between economic downturns and health; cases studies in two local authority areas

using semi-structured interviews with workers in relevant statutory and voluntary sector services; and a policy dialogue to discuss the implications of the findings with national and local policy makers and service leads in Wales.

It is emphasized that this is not a comprehensive study of the current data on how the current recession and continuing economic downturn is affecting people and services in Wales but it does suggest possible recommendations for policy and practice as well as directions for future research. However it does indicate how the current economic downturn may impact in ways that are different from previous economic crises.

### **The impact of economic downturns on health and behaviour**

Most of the research literature on economic downturns on health has focused on the effects of resultant unemployment. Whilst the character of these effects may be shaped by welfare state regime, cultural norms, values and expectations, and individual characteristics such as socio-economic status, age, gender and ethnicity the general picture appears to be that the strongest negative effect is on mental health (including the risk of suicide), with evidence of impact on some physical health problems. However the evidence does suggest some health improvements during recessions including fewer road traffic accidents and some improvements to health behaviours: alcohol consumption, smoking, physical activity and diet. Some of the data regarding health behaviours are contested, particularly with regard to alcohol consumption. However a distinction needs to be made between economic recession, which may be a relatively short period of time, and the longer term consequences of recession which may have negative effects on particular people and places over a much longer period of time.

#### *Individual characteristics*

The effects of economic crises do not impact on individuals evenly. They will depend on the interactions of factors such as social class, age, ethnicity, gender and the type of work that has been lost.

In terms of individual characteristics the strongest evidence appears to be that people with low socio-economic status are more likely to become unemployed during economic

downturns and be affected negatively by job loss than people with high socio-economic status. The mechanisms appear to be largely through the experience of financial strain and the loss of material resources. People with higher socioeconomic resources are more likely to have access to resources, such as savings, which are protective during a jobless period. It is suggested that the mechanisms whereby the loss of a job affects mental health for more affluent and skilled workers are different in that they relate to loss of status and a work related identity rather than financial strain.

In terms of gender the picture is complex, but previous studies indicating that men are more likely to be affected by job loss than women may now be less relevant in countries where women are more likely to hold jobs which support the household and/or support a work-oriented identity. The extent of gender difference also appears to vary according to different welfare state regimes. Gender effects in terms of partner and family relationships have also been studied. Although research suggests that more distress is experienced by both partners where the man has lost his job research also suggests that women are less likely to feel supported by a spouse through the job loss experience. However the picture appears to be fluid and more research is need on the way in which shifts in the roles of men and women in the labour market, community and family could impact on health and well being.

There is little evidence of the way in which ethnicity shapes the impact of unemployment on health. More is needed however as one study suggested that minority ethnic groups suffer more unemployment in an economic crisis than the wider population after controlling for area deprivation.

Research on age and health, like gender, is complex and sensitive to wider shifts in the social and economic environment. Sociological life-course research also highlights how age needs to be seen a dynamic between stage of life and stage of history. Whilst older people may be negatively affected by unemployment by the loss of seniority status, severe wage loss and greater difficulties in finding new employment they will have also lived through a specific socio-economic changes. In most affluent wealthy economies this has been seen as a shift from a Fordist labour market associated with industrial mass production and high job

security to a Post-Fordist one characterized by competition, flexible production techniques and the individualization of risk (including responsibility for post-retirement welfare). An understanding of social and economic change on chronological age is therefore important to understanding the meaning and experience of job loss. Research on job loss and the lack of employment for younger people highlights the danger of scarring in later life. Lack of employment in the education to work transition is associated with a higher likelihood of future unemployment in a no work/low wage cycle which is itself associated long term health impacts.

Where one lives may also impact on health and the availability of health related resources. The effects will be different for those who already live in an area of high unemployment than for those who live in an area of low unemployment. Whilst living in an area of high unemployment may protect against the psychological impacts of job loss, such as shame and stigma, over the long term people living in high unemployment areas are exposed to other risks associated with living in economically deprived areas. Research has also suggested that cultural norms and values in different countries may shape the extent to which unemployment is seen and therefore experienced as shameful.

#### *Other levels of impact*

There is a surprisingly small literature on the impacts of economic downturns and unemployment on the health of other family members. However most research that has been conducted indicates that unemployment puts considerable strain on family relationships, including parenting, and the health and well being of children.

Economic downturns can also have visible effects on neighbourhoods which may also impact on the health of residents. As with individuals places also have histories in which disadvantage and advantage accumulate. The loss of community resources and facilities are the result where local economies fail. Opportunities for social activities may be reduced where there is little in the local economy to sustain them. A thriving local economy also provides the resources for social capital and the development of social networks both through local workplaces and through the high street – an important site of social interaction. Increased ill health and poverty associated with high unemployment may also

increase demands on local public services including primary health care, social welfare and the police.

### **Mechanisms through which job loss and unemployment may impact on health**

#### *Insecurity and uncertainty*

Job insecurity and its associated loss of control or mastery, has been highlighted as one mechanism through which the loss of employment impacts on health. Seen through this lens the process of anticipating redundancy, losing a job and the process of finding new employment has been researched. A number of studies have highlighted the significant negative effects on mental health in situations where workers anticipate the loss of jobs in the workforce. Insecurity and uncertainty about job losses in the workplace can also generate other effects which can be detrimental to health including the loss of trust, increased suspicion and conflict and the general deterioration of social cohesion in work based relationships.

However the eventual job loss is still one part in the process of redundancy that needs to be considered and re-employment in an insecure workplace can be just as damaging to health as continuing unemployment. The quality of re-employment is therefore an important consideration.

#### *Financial strain*

Where job loss creates financial strain the impacts on health can be direct in terms of loss of access to basic needs such as nutrition but also through a cascade of secondary impacts such as housing repossession, loss of social networks and increased family strain.

#### *The latent psychosocial functions of work and impact on self-identity*

Job loss entails the loss of wider social functions that are central to, and provide meaning for, a person's life. These are known as the latent functions of work and include the provision of time structure, regular social contacts, engagement in activities for collective purposes, status and regular activity.

Another kind of psychosocial mechanism is the loss of identity associated with job loss. Job loss disrupts an individual's attempt to sustain consistent and positive self-images thus increasing the risk of mental health problems. Identity and self-esteem are also suggested to be threatened through altered networks of friendship and support.

### *Stigma and negative identity*

Another feature of the research on identity and job loss is the social stigma attached to unemployment as a form of 'spoiled identity'. Employment can be seen as having a moral side whilst the receipt of unemployment pay is regarded as degrading and shaming. However the collective solidarity that is associated with plant closures may protect against stigma associated with job loss in the immediate future, though this may be short lived.

### **Maintaining health and well being through economic crises: resilience, coping and salutogenesis**

Whilst there is a need to understand how individuals, communities and economies may be affected by economic cycles there is also a need to identify the factors which protect individuals and neighbourhoods from ill health against the odds. A better understanding of the sources of resilience may provide clues as to what community and individual interventions may be possible in hard times. In addition it highlights that job losers and their families are not just passive victims of economic processes but do try and adopt rational strategies to deal with the situation. This review explored three concepts: coping, resilience and salutogenesis to see how these had been operationalised in research to understand how people fare in situations of economic adversity.

The research suggested that more could be done at different levels and different time to support positive coping strategies and alleviate the stress or fear of job loss. Human resource departments have responsibilities to address the fears and support the plans of workers whose jobs may be threatened through reorganisation, rationalisation or downsizing. They and job support agencies also have a role in providing support and skills in effective job search, networking, training for reemployment as well as personal skills, such as self esteem and confidence and in dealing with disenchantment where employment

prospects are low. In areas of low employment there may be a need to link up with community based activities and recognising and rewarding local voluntary activity.

However in areas of sustained mass unemployment other inventions may be needed to provide access to the material and social resources needed to cope with lack of earnings and the lack of success in gaining paid employment. These need to be coupled with strategies to develop skills and investment towards the development of sustainable local labour markets in a way that builds on the actual and potential skills of the people who live there. Some of the literature above suggests that peer based interventions which are less likely to be stigmatising may be promising in stimulating social action directed at improving local employment opportunities as well as providing support through times of economic stress.

### **Interventions**

Interventions or participatory programs to help unemployed people find new jobs and cope with the unemployment experience were reviewed. Few interventions have looked at health as an outcome in addition to successful employment. However three basic types of interventions were identified which have been defined as 'strengthening', compensatory, and therapeutic.

Most of the interventions identified were categorised as 'strengthening interventions', on the basis that they target the coping capacities and resources of unemployed persons, with a view to improving both health and employment outcomes. Within these interventions, the programs tended either to focus on building individuals skills or on creating supportive and empowering social environments. Evidence was also provided on what could be considered an intense 'compensatory' approach and a therapeutic counselling based approach.

Although all of the interventions suggested positive findings, the only high quality evidence, using an experimental design, was for the skills based JOBS program developed in the USA. The other studies were all limited by either the absence of control or comparison groups, or very small sample sizes, but the promising nature of some of the findings suggest further exploration of such approaches may be warranted

### **Two Local Authority area case studies: voices from the front line**

Qualitative data were collected in the summer and autumn of 2009 in two local authority areas with contrasting populations and economic profiles (Blaenau Gwent and Cardiff). Interviews were conducted with representatives of organisations that were felt to be particularly relevant to experiences associated with economic downturns. Some of these were with people working in statutory services whereas others were the voluntary sector services working with specific vulnerable groups. Interview included people working in services concerned with children and young people, mental health, debt advice, housing, employment services, education and training, regeneration and primary care.

While the crest of the recession may have come with the banking crisis, there was a feeling that it had been building for a number of years, with increasing pressure on service budgets and services for people in need. Respondents felt that almost all public services are now, or will very soon, feel the impact of budget cuts, while those voluntary sector providers who work under service agreements with statutory agencies are finding it more and more difficult to provide services.

The impact on services can be seen both in terms of increased demands and reduced funding. Doing more with less is one of the challenges. However, there are also different needs, including the need for services; including leisure and counselling services, which can support people with minor mental distress associated with job loss and enable people to get access to credit in a tighter credit regime among the mainstream lenders. Such actions are long term investments which may assist with recovery.

Additional support is required for debt counselling and to enable access to affordable loans. Both debt counselling and credit unions have been successful in some areas, but innovations such as telephone and on-line loans and outreach through community centres and events might improve success in Valleys and perhaps rural communities. Interventions need to take into consideration the felt stigma, for some, in being seen to access these services, the reluctance or lack of ability to access services outside the immediate locality and the scarce resources available to provide such services to an increasingly needy and dispersed population.



In Blaenau Gwent, the recession has hit hard and was felt to have exacerbated the existing long term problems of the area. The consensus appears to be that it will suffer more and for longer than the more vibrant economy in the capital. Cardiff's diversified economy is both more able to absorb job losses and more resilient, with more and higher paid jobs available.

It was felt that young people are the age group most likely to suffer in the long run. Access to employment and education are likely to be reduced, while for those most in need, including care leavers, essential crisis services are being eliminated.

People with serious mental health problems are also vulnerable and they will be even more disadvantaged by the lack of jobs, as their employability is low. They will be further disadvantaged by the potential withdrawal of support from voluntary agencies and the closure of NHS facilities.

### **Policy dialogue**

The policy dialogue took place at Cardiff University on the 25<sup>th</sup> February 2010. The aim of the dialogue was to facilitate discussion around the main findings of the literature review and the case studies in order to shape subsequent conclusions and recommendations within an existing policy and practice context. In addition the dialogue provided an opportunity to discuss whether the findings rang true for stakeholders in Wales providing services or developing policy. Finally it allowed participants to contribute their own knowledge and expertise to the discussion.

A wide range of stakeholders were invited including representatives from relevant policy sections of the Welsh Assembly Government, people working at a national level in relevant services within the NHS (including mental health, primary care and public health) and national voluntary groups. Although not all relevant areas of policy and practice were represented at the event there was good coverage. Perspectives represented included mental health, public health, training and employment, children and young people, social justice, economic policy, sustainable development, debt and welfare advice.

Overall, participants felt that the findings resonated with their own experiences and/or perceptions. However they highlighted the need for very specific and detailed modelling of

the impact of particular spending options in order to be of any real value to decision making. In addition there is a need to break down traditional silos both to consider impact more generally and to consider policy impacts on health. It was also felt that there was a need to look at ways of pooling resources to provide services, support and resources for recovery at a local level, although it was acknowledged that there are structural constraints that make this difficult.

Whilst there was a general agreement that mental health and supporting young people into satisfying work was a priority this workshop did not go far in suggesting ways to ensure the best health outcomes for the most vulnerable people. However it has provided a starting point. One note of caution is that there were important gaps in terms of representation in the dialogue. In particular there was no representation from education and training or from primary care although both areas were discussed in terms of their importance to public health through difficult economic times.

### **Recommendations**

The following recommendations have been drawn from the research and informed by the policy dialogue. The recommendations are broad at this stage and are intended to support an approach to future decision making rather than being specific about what should be protected, what cut and which resources pooled.

Recommendations are at macro, meso and micro levels and have been grouped for convenience under the headings of preventing ill health, responding to ill health, pooling resources, anticipating health impact, and future research and evaluation.

#### ***Preventing ill health***

**1 The Department for Public Health and Health Professions (DPHHP) needs to argue strongly for public health outcomes to be considered in all policy areas within the Welsh Assembly Government. Resources should be focused on those social and economic determinants that support good health and prevent avoidable illness.**

Whilst this appears to be a rather broad and obvious recommendation it is not clear that public health has had a strong voice in other policy areas. The DPHP should identify the mechanisms and approaches (such as Health Impact Assessment – see below) that ensure that public health goals are placed on a parallel footing with those of economic recovery. Approaches to health inequalities and social and economic equity should be linked at the highest level.

**2. There is a need for flexible active labour market programmes that support people entering, re-entering or staying in satisfactory employment in parallel to maintaining and generating good health.**

As well as being good for the economy having a job is, on the whole, better for a person's health than being unemployed. However jobs which are low paid, insecure and have low decision latitude are associated with poor mental and physical health. It is also recognised that there is an element of dual causation in that as well as unemployment being a threat to health, ill health is also a threat to employment. Research indicates that some of these programmes have been detrimental to health, particularly in areas where the likelihood of finding satisfactory work is slim. Therefore an active labour market programme is required which is flexible enough to be tailored to individual need and the local contexts in which job seekers live.

Interventions should ensure that they aim to build self-esteem, confidence, competence, optimism, skills and, where necessary, build or maintain supportive social networks. Approaches should also be appropriate to particular local contexts. For people living in areas where there is little satisfactory work a dual strategy of supporting people to maintain self esteem where employment fails to materialise as well as identifying non-paid or state-paid socially valuable activities that replace the latent functions of work, develop skills and potentially benefit local neighbourhoods needs to be developed. Interventions which are seen as opportunities to provide cheap labour without any individual or local benefit are unlikely to benefit health. There is a need for these interventions to be evaluated in terms of their health benefit as well as their employment outcomes (see below).

**3. Employers should be encouraged to develop strategies and approaches that address uncertainty, anxiety and job stress.**

Research suggests that people still in employment may be under stress and not just those who are unemployed. Employers should manage concerns about future downsizing and possible redundancies in an open and transparent way. Where possible, HR departments should offer careers advice and training to highlight potential alternative careers and opportunities. Changes to working hours and work demands should be kept to a minimum where possible. Interventions to support people at risk of becoming unwell due to stress should be considered. This may protect people at risk of involuntarily and permanently exiting the labour market. Counselling and advice should be made available, or at least the need for this support to be recognised and acknowledged, for employees who are experiencing other disadvantage as a result of the economic downturn. For instance, a spouse may have been made redundant, they may face mortgage repossession, other members of the family may face difficulties and so on.

**4. Protect and develop services intended to support vulnerable children and young people**

The review highlights that the transition from education to employment, further education or training is pivotal for long term secure employment and health. This economic downturn has had a particularly heavy impact on young people. Services that support vulnerable young people into employment, training and education need to be protected and enhanced. In some areas inadequate cheap transport has been a barrier and needs to be addressed. Those not in employment, education or training and children with significant social needs, such as children who are, or have been, supported by the social care system, may need more intensive and targeted support.

Initiatives which support children and young people, who are at risk of economic exclusion in the future, such as Flying Start, should be supported. The Welsh Assembly Government in partnership with Public Health Wales, the third sector and local communities should identify what is working at a neighbourhood level to support children and young people make

successful transitions from early years, through compulsory education to employment, further education or training.

**5. Address personal debt through the regulation of doorstep lenders, promoting other sources of credit and protecting advice services**

With financial strain being a key mechanism through which unemployment and low pay impacts on the health of individuals and their families the extent of debt is worrying. Given that Blaenau Gwent, according to one report, has the highest levels of household financial strain, the protection of debt support services and the need for interventions to avoid debt seems clear. Reports of doorstep lenders were highlighted in Blaenau Gwent and a recent MIND report on debt and mental health (MIND 2008) suggests that it is widespread. The value of alternative sources of credit, such as credit unions, should be promoted. However barriers to using credit unions, such as social embarrassment, should also be addressed. It should also be recognised that for many people the lack of any financial assets and unsustainable debt means that advice and support services will be essential to avoid a further slide into poverty and the knock on effects on mental health.

***Responding to ill health***

**6. Models of effective mental health support at primary care and community levels should be identified**

The strongest evidence for negative health impact during economic downturns is on so called mild to moderate mental health problems, although increased suicide is also associated with economic downturns. The demands on primary care services are therefore likely to increase. There was a call from one mental health representative in the policy dialogue for cognitive behavioural therapy (CBT). Although the evidence for its effectiveness appears to be strong (eg Haby et al 2005) other forms of social 'prescribing' should be explored as well. In this context the public health role of primary care in supporting people into secure work or appropriate non-work activity should be explored through a review of the literature and of existing models.

Furthermore it is recognised that some people, particularly middle aged men, are reluctant to approach health services for a mental health problem. A cross-cutting approach is therefore needed to ensure that support does not depend on individual presentation to primary care services. For instance, mental health strengthening approaches can be embedded into active labour market interventions (see above) and as a part of neighbourhood regeneration, volunteering and community cohesion programmes.

### ***Pooling resources***

**7. Public Health Wales should lead a partnership which includes the health services, local authorities and the third sector to identify mechanisms which pool resources across localities for maximum health benefit.**

It is inevitable that services across Wales in health and other sectors will be cut and these have the potential to impact negatively on health. The impacts are likely to affect deprived people and places in particular. It is therefore essential that a robust mechanism is developed to ensure that the relevant sectors work together to identify ways of pooling resources for maximum health impact. The pooling of resources needs to be at different spatial levels according to need and resource. Public Health Wales is the most appropriate organisation to lead this partnership.

### **Anticipating health impact**

**8. Health Impact Assessment (HIA) approaches should be adopted as part of public spending review processes**

Decisions on public spending will impact on society in ways which will be unintended and may therefore impact both directly and indirectly on health. Consideration of the potential impact on health should be considered at all levels when reviewing spends on public services. As in recommendation 1 the DPHHP should argue strongly for a consideration of how decisions across the Welsh Assembly Government will impact on health (intended and unintended, positive and negative), and how they will be distributed in the Welsh

population. Potential short, medium and long term impacts should be considered for people and places in Wales and mitigation actions identified to minimise any risks to health and to maximise health benefits particularly with regard to vulnerable groups. The economic costs and benefits of decisions should be quantified where possible.

This is an opportunity for Welsh Assembly officers in relevant policy divisions to deliberate collectively on the impacts that these decisions will have and health impact should be a key cross-cutting consideration. Evidence should be used and interpreted, where possible with relevant academic partners. Levers to involve local academics may be the Research Excellence Framework (REF) in which universities are required to demonstrate the impact their research has had on society.

### ***Future research and evaluation***

#### **9. Active Labour Market Programmes should be evaluated in terms of their impact on health.**

The review has highlighted the lack of evaluation of interventions to support people into or at work. Since evidence suggests that some approaches, particularly ones that focus on job search support alone, can be bad for health, learning from what works will provide benefits now and for the future. Given that contextual and individual factors can mediate health impacts in ways that are not clearly understood it will be important to use methods which link an understanding of how the programmes work for particular population groups in particular contexts to the achievement of health and employment outcomes.

#### **10. Impacts of social and economic change need to be monitored**

Research that tracks, monitors and provides feedback on the effects of economic change over the following years to establish where the impacts are felt at individual and geographical levels should be undertaken. The Welsh Assembly Government in partnership with the Office for National Statistics (ONS) and the Wales institute of Social & Economic Research, Data & Methods (WISERD), which links researchers across Wales, provides a

potential vehicle to achieve this. As well as providing quantitative data on health outcomes, methods which provide longitudinal qualitative data on how people living across Wales cope with social and economic changes will provide a better understanding of how social and economic change impacts on health and well being. Research which takes a life-course perspective should also be considered to assess the extent to which experiences of the economic downturn now may impact on quality of life, health and life chances in the future. Feedback mechanisms will be important to provide opportunities to identify interventions to prevent ill health if necessary.