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Health economics
Investment in health could be good for Europe’s economies
Marc Suhrcke, Martin McKee, Regina Sauto Arce, Svetla Tsolova, Jørgen Mortensen

A sick population is an expensive population. But a new European report shows the benefits of improved public health are likely to extend beyond reduced healthcare costs

Five years ago, the Commission on Macroeconomics and Health concluded that ill health was contributing to the low level of economic growth in poor countries. The landmark report showed that investment in some basic health interventions would lead to substantial economic growth. However, the commission did not look at rich countries, where the situation is quite different. Production in poor countries—for example, from agriculture and mining—is much more obviously affected by physical wellbeing. In addition, the measures to improve health in poor countries, such as immunisation and access to essential drugs, are less complex than those needed to manage the large burden of non-communicable disease in rich countries. Understanding the role of health as a driver of economic growth in Europe is important, given the stated commitment of Europe’s governments in March 2000 to make Europe the most competitive and dynamic knowledge driven economy by 2010.

In this article we summarise the findings of a study that we did for the European Commission examining the link between health and wealth in rich countries. The full report has been published elsewhere, and a summary of the methods is available on bmj.com.

How might health affect the economy?
Healthier individuals might affect the economy in four ways:

- They might spend more time in the labour force, as less healthy people take sickness absence or retire early
- They might invest more in their own education, which will increase their productivity
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A summary of methods is on bmj.com
Do healthier people earn and work more?

Substantial and consistent evidence from rich countries shows that healthier people have higher earnings, although the scale of the association varies with research methods and data. Some studies have examined measures such as height, which reflects health in childhood, and body mass index, which provides an indirect measure of health. All other things considered, taller people earn more than average whereas obese people tend to earn less, although the adverse consequences of obesity are greater for women than for men. However, these findings could reflect biases linked to the social acceptability of body images rather than a direct link to productivity.

Many studies show that better health increases both the number of hours worked and the probability that an individual will be employed. In addition, poor health increases the likelihood that someone will retire early, although the precise relation is affected by institutional frameworks—for example, rules on disability and early retirement benefits and whether health insurance is linked to employment, as in the United States.

Importantly, ill health matters not only to the people affected but also to their family. In general, men whose wives become ill reduce the amount they work whereas women work more if their husbands become ill. Again, these findings are sensitive to the availability of health and disability benefits.

How does health affect the national economy?

Although the above findings are important for families and individuals, finance ministers are more interested in whether they translate into national gains. The current economic wealth of rich countries owes much to previous health gains. For example, about 50% of economic growth in the United Kingdom between 1790 and 1980 has been estimated to be attributed to better health and dietary intake. Better health meant that British workers increased their ability to convert energy into productive work by over 50% during this period. A study in 10 industrialised countries during the century to the mid-1990s found that better health increased the rate of economic growth by about 30%.

Studies that have looked at only poor countries or all countries have consistently found that better health, typically measured by life expectancy, is a significant determinant of subsequent economic growth, in some cases contributing more than improved education. However, the few studies looking only at rich countries have not found such a relation. This may be because, above a certain level of national wealth, better health no longer contributes to growth. However, this conclusion may be flawed, for two reasons.

Firstly, life expectancy is not a good way to compare health in rich countries because it varies relatively little. In contrast, death rates from cardiovascular disease among the population of working age vary substantially between rich countries. For example, the death rate from ischemic heart disease among people under 65 in the United Kingdom, despite having fallen steeply in the past two decades, is still twice as high as in Spain. In an analysis of 26 rich countries during 1960 to 2000, reductions in cardiovascular mortality emerge as a robust predictor of subsequent economic growth. In one model, a 10% fall in cardiovascular mortality is associated with a 1% increase in per capita income. Although this may not seem large, it amounts to a substantial contribution over the long term.

Secondly, existing analyses fail to take account of the scope to increase the official retirement age. A recent simulation exercise showed how an increase in the age of retirement that was consistent with gains in life expectancy would mitigate many of the adverse economic consequences attributed to ageing of societies.

What more do we need to know?

This study was undertaken to inform policy makers in Europe. However, we were forced to draw on a comparatively large body of evidence from the United States, even though the institutional frameworks, in particular the lack of universal health coverage for people under 65, constrain the applicability of findings to Europe. Very few Europe-wide surveys have been done, and national surveys are often difficult to compare with one another. Europe's governments and institutions urgently need to support the creation of appropriate panel surveys, not least so that they can track the progress of their policies.

Our study confirmed the importance of investment in better health as a means of promoting economic development but says less about what this investment should involve. As Derek Wanless noted in his report to the UK Treasury, we need more economic evaluations of health promoting policies as lack of evidence is a serious obstacle to achieving commitment by governments.

Debate is ongoing about the role of government in promoting health. Nevertheless, many of the people who advocate much greater individual responsibility view governments as having a legitimate role in creating the conditions that favour economic development. The true purpose of economic activity is to maximise social welfare and not simply to produce more goods and services. Since better health is an important component of social welfare, its value ought to be
Several key studies have been published that have contributed to our understanding of the relationship between health and economic growth. For instance, Gertler and Karoly (2002) showed that better health in childhood can lead to increased productivity in adulthood, which in turn can contribute to economic growth. Similarly, Currie and Madrian (2004) found that better health in old age can lead to increased labor force participation and earnings, which can have a positive impact on economic growth.

In addition to these studies, several policy interventions have been implemented in various countries to improve health outcomes and promote economic growth. For example, the Swedish government implemented a universal health care system in the 1960s, which has been associated with improved health outcomes and increased life expectancy. Similarly, the United States implemented the Affordable Care Act in 2010, which aimed to increase access to health care and improve health outcomes.

Overall, the evidence suggests that improving health outcomes can have a positive impact on economic growth. However, more research is needed to fully understand the causal mechanisms and to inform effective policy interventions.