



# How to protect the most vulnerable: The recession's impact on health and social protection

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# The economic crisis and destruction of wealth affected all sectors of the economy, impacting labor markets and households.





## The fall-out of this crisis is deep and contagious...

- **Debt, financial crashes and public finance busts:**
  - **Ireland, Greece, Portugal and Spain:**  
Debt = 80-100% of GDP
  - **Italy:** Debt/GDP ratio forecast at 120% in 2010
  - **Ireland and Spain** – construction boom to bust
  - **Ireland and Greece:** EU-IMF bailouts
  - **Baltics:** GDP: EE –15.6%; LV –18%; LT –12.6%
  
- **North/South – East/West divide: fear of a two-speed Europe – challenges for the EURO zone**
  - **France and Germany:** resumed GDP growth of but **Italy** still negative
  - Consumer spending up in **France**, stable in **Germany**, sharply negative in **Italy** and **Spain**
  - Unemployment stable in **Germany**, **Spain** = 18.5%; **Latvia** = 17.4%, **Lithuania** = 16.7%.





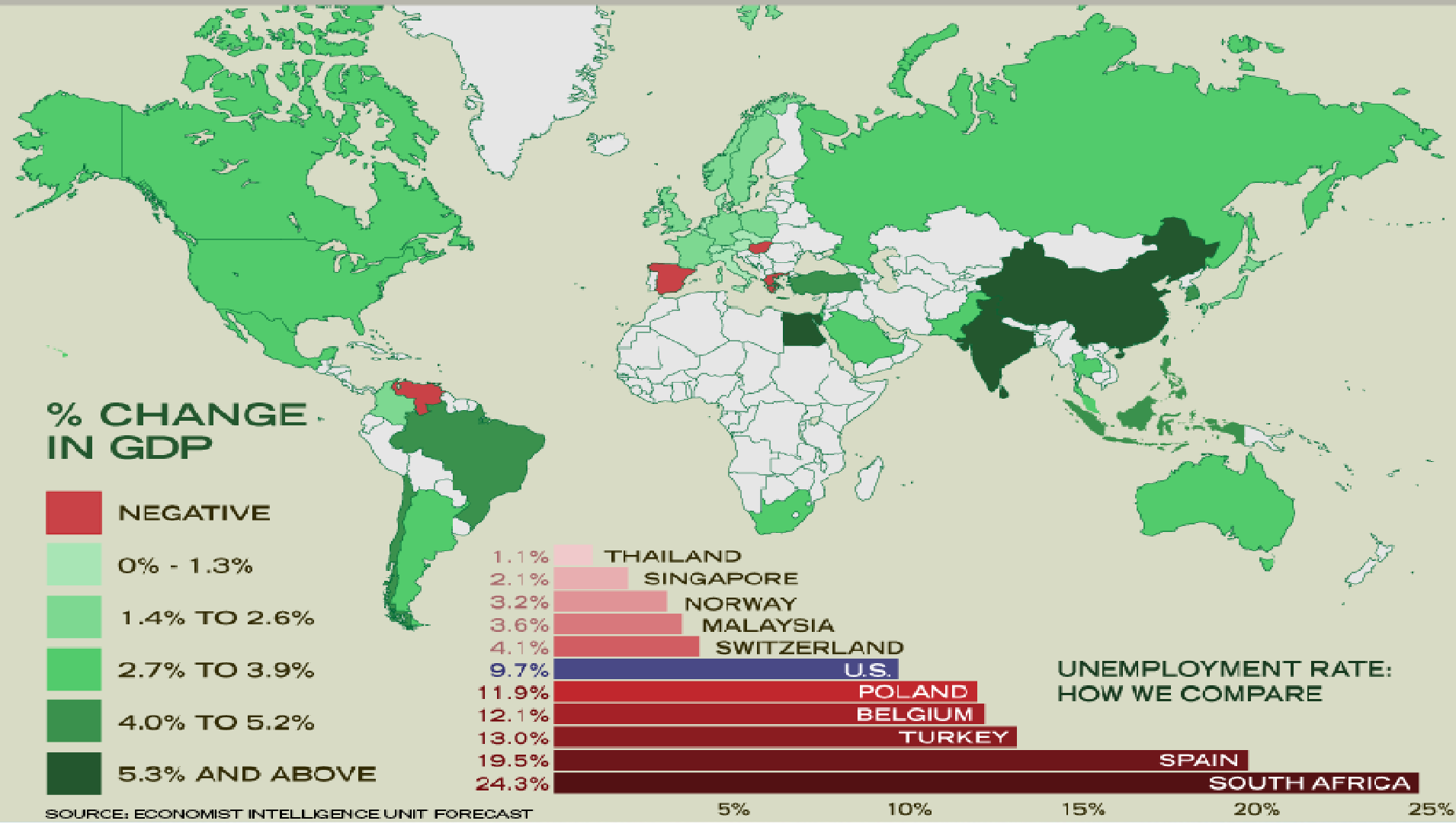
## Labor markets and social safety nets took a severe hit...

- **Eurostat:** EU GDP contraction and recovery: - 4% (2009); 1.8% (2010)
- **OECD:** unemployment over 10% (until 2012) will hit consumer spending.
- **International Social Security Association (ISSA):** Losses of \$225 Billion or 25% of NAV.
- **OECD:** Private pensions loss: \$5 Trillion.
- 16% of EU population at risk of officially defined poverty even after social transfers. At-risk-of-poverty rates range from 10% to 26% in EU.
- World Bank, EBRD, EIB provided \$31.1 Billion to support Eastern Europe in 2009-10



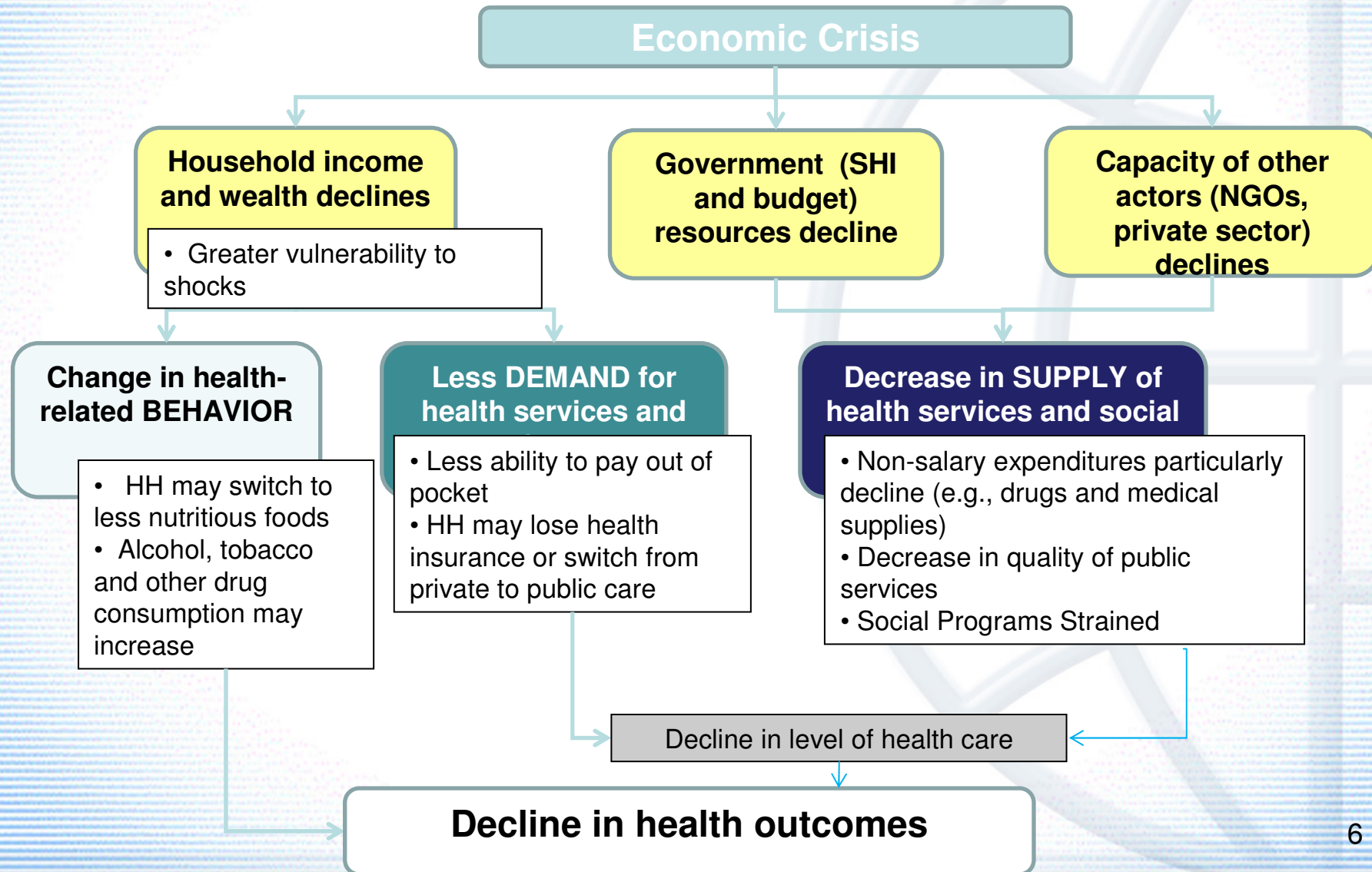


# FINDING THE BOTTOM: 2010 GLOBAL ECONOMIC RECOVERY



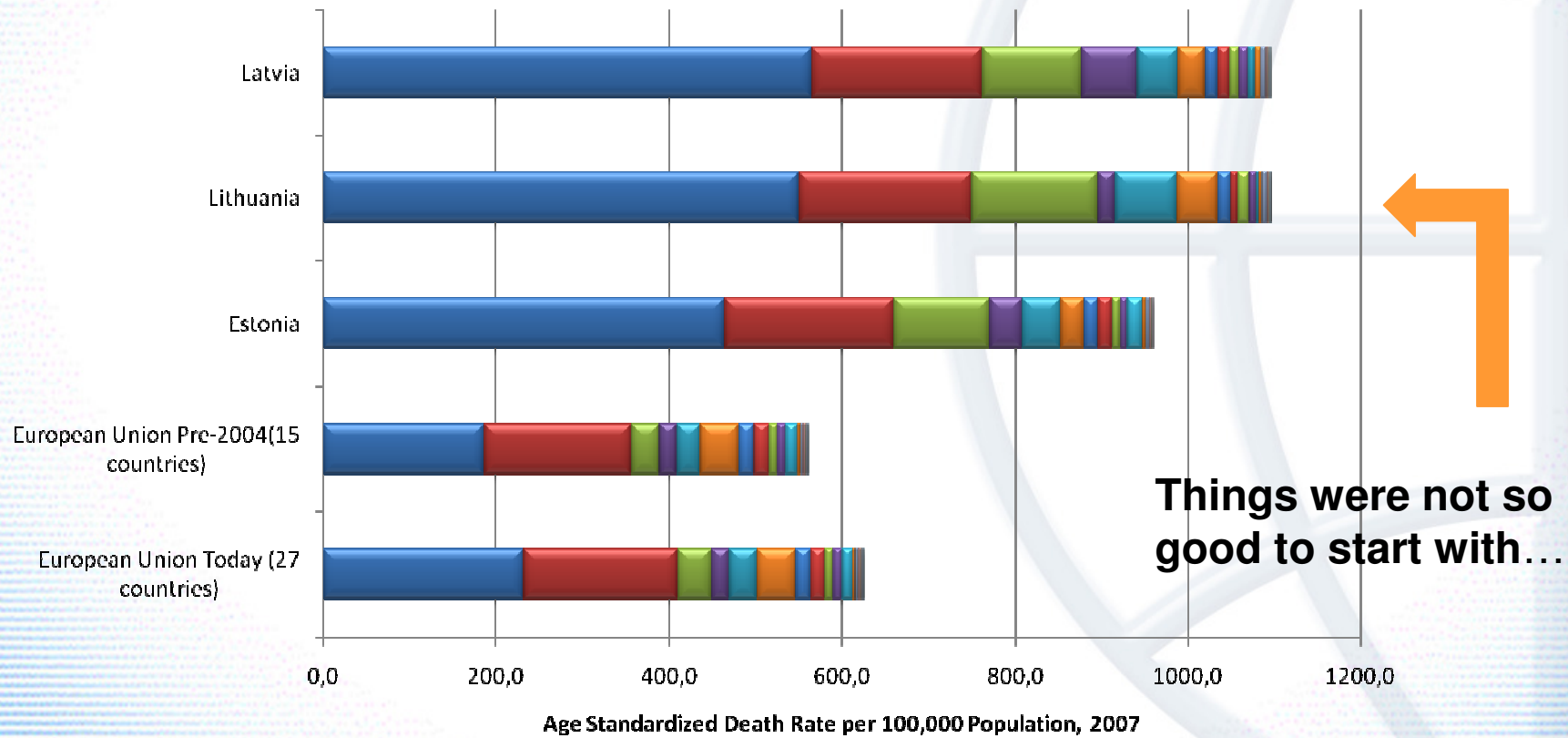


# Can the crisis impact health outcomes?





# From bad to worse: The sickly Baltic Tigers





# World Bank Rapid HIF Survey

## ■ Objective:

- Investigate how the economic contraction affected the financial situation of social health insurance funds (HIFs) in Eastern Europe

## ■ Survey

- Sent questionnaire to 10 HIFs in Eastern Europe in fall of 2009 (data and analysis projected for 2010)
- Asked for data on revenues, expenditures, the insured population, policy responses during the crisis, waitlists, and utilization of medical services
- Received 100% feedback and good data





## HIF Survey: Large drop in revenue (2009 + 2010)

- Decrease in employed, increase in unemployed
- No compensatory increase in transfers from budget or other social insurers
  - (unemployment insurance, pension funds)
- Expenditure growth decreased, increase in deficits
- Core health expenditures protected
  - (primary health care and prescription drugs)
- Sharply reduced hospital and residual expenditure categories (“others” and cash benefits)

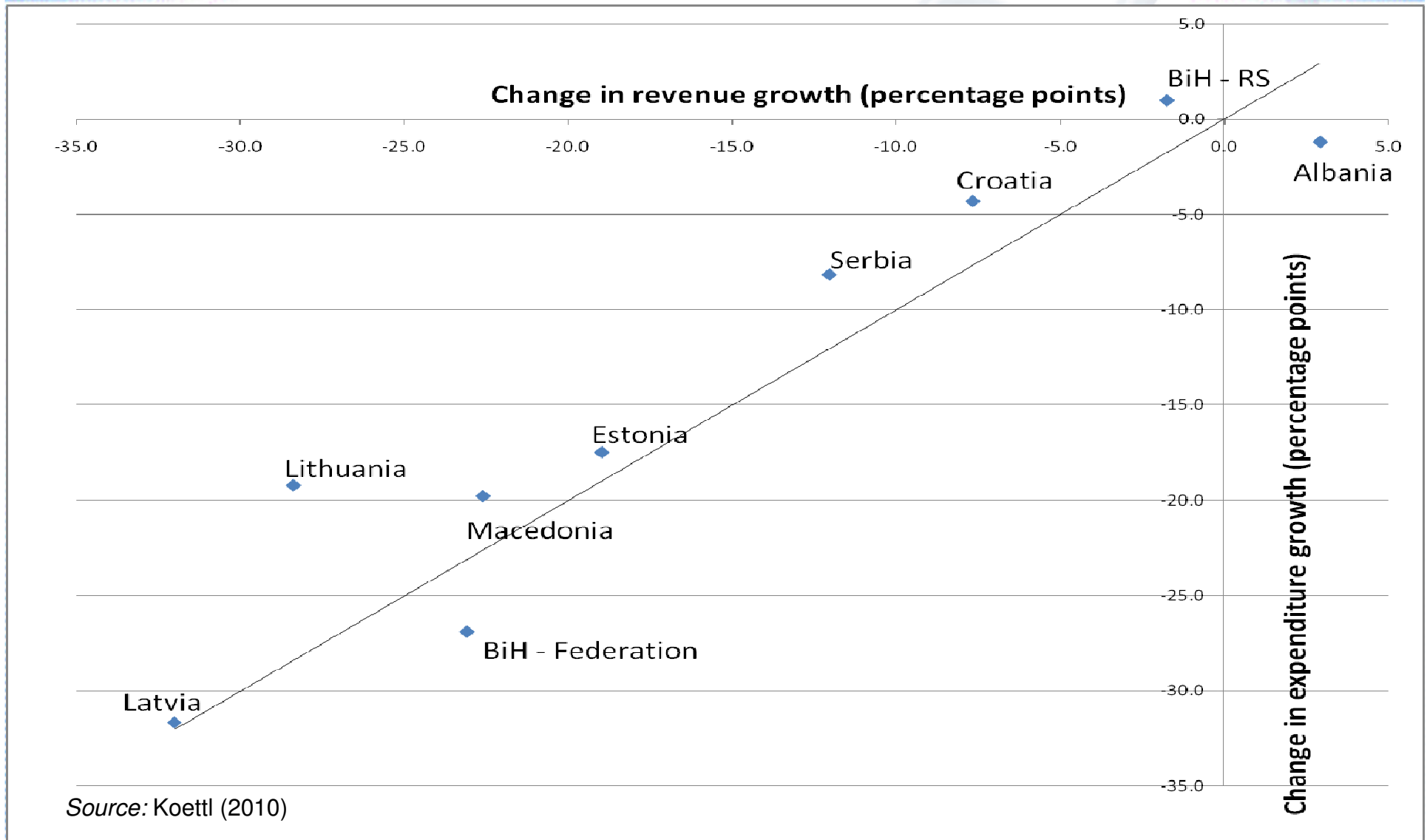
⇒ **Efficiency gain or rationing?**

⇒ **What are implication for catastrophic illness?**

⇒ **Over-reliance on payroll taxes make HIFs vulnerable during economic downturn**

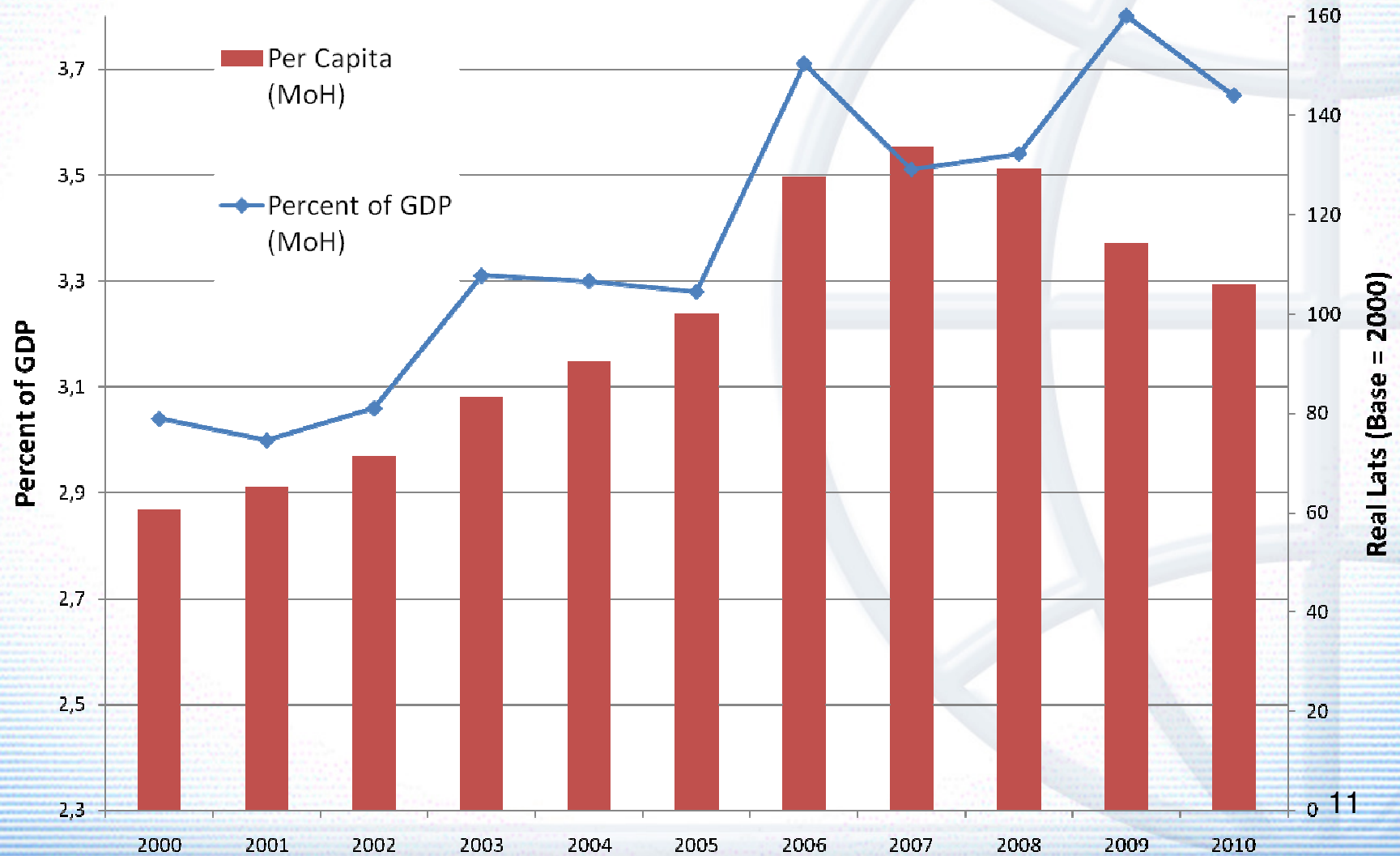


# HIFs in crisis: No place to hide...





# LV: Public Spending on Health





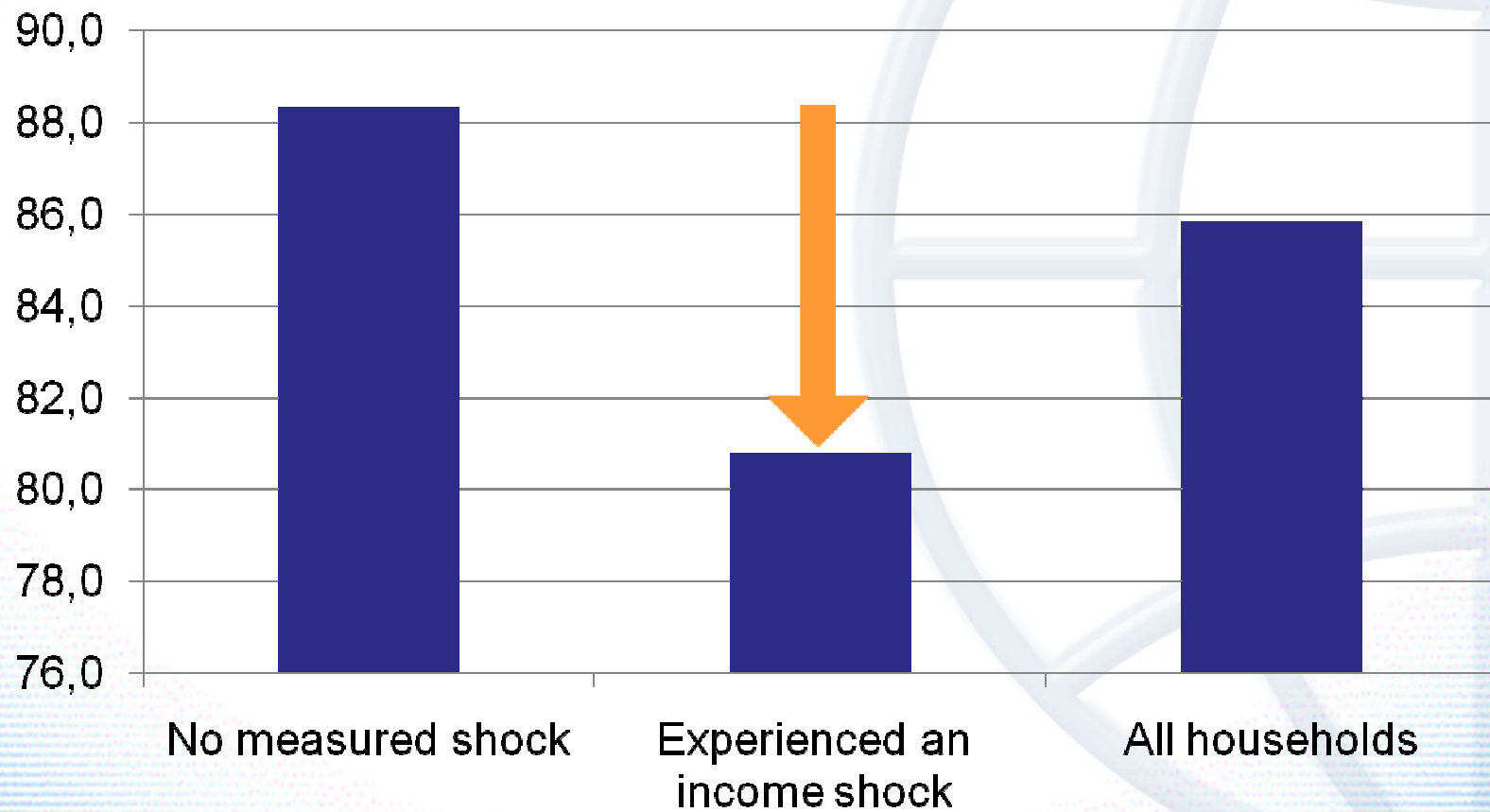
# LV: What was cut and what protected?

- **Protected (only relatively!):**
  - Primary Care
  - Maternal and Child Health Services
  - Emergency Care
  - Covered Pharmaceuticals
  
- **Large and deep cuts:**
  - Hospital and Secondary Ambulatory Services
  - Staff payroll (by 33%)
  
- **Problem:** Access to and quality of hospital services for patients with catastrophic illness



## Montenegro Household Survey:

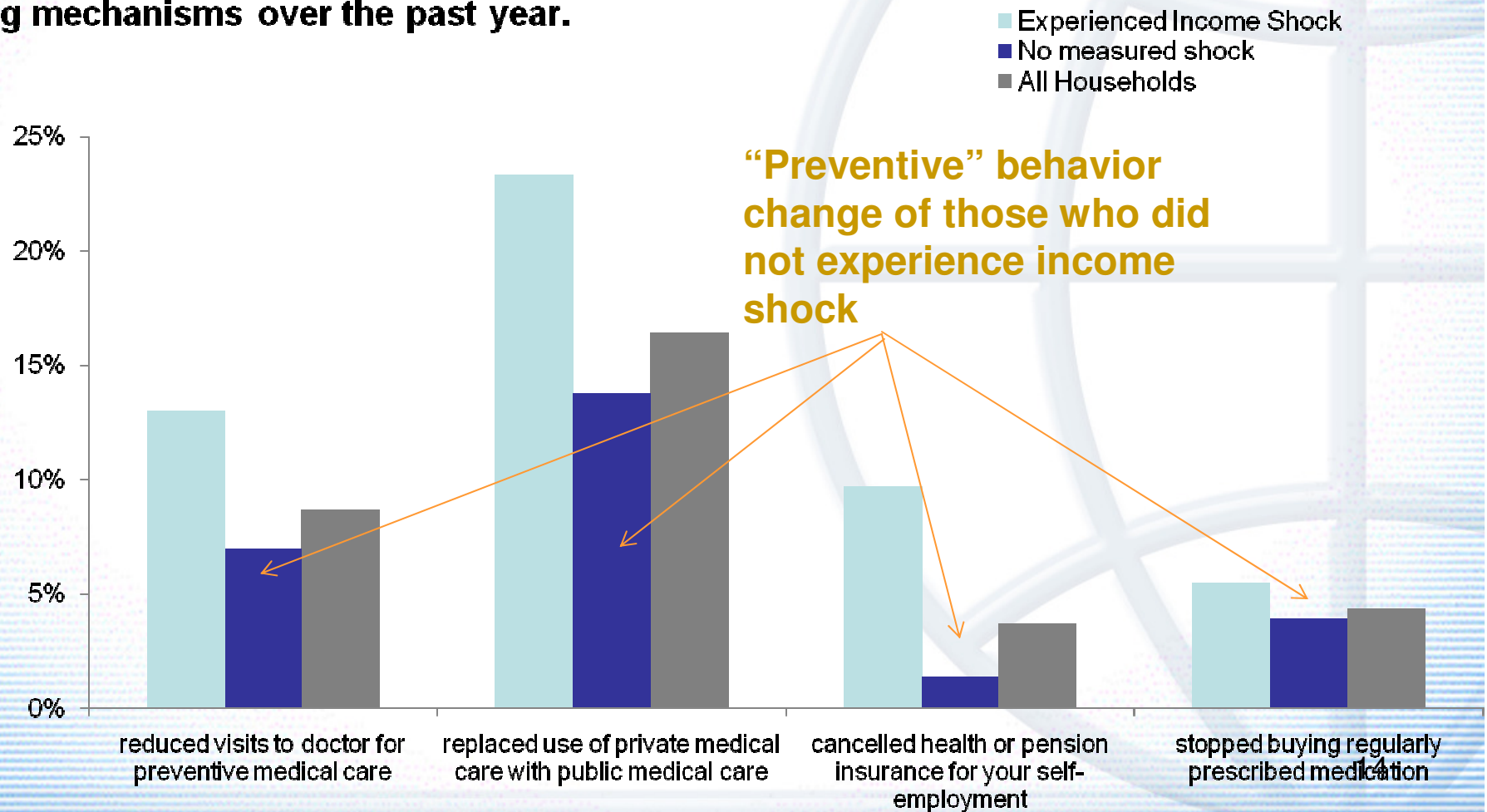
Percent of individuals who became ill who visited a health facility





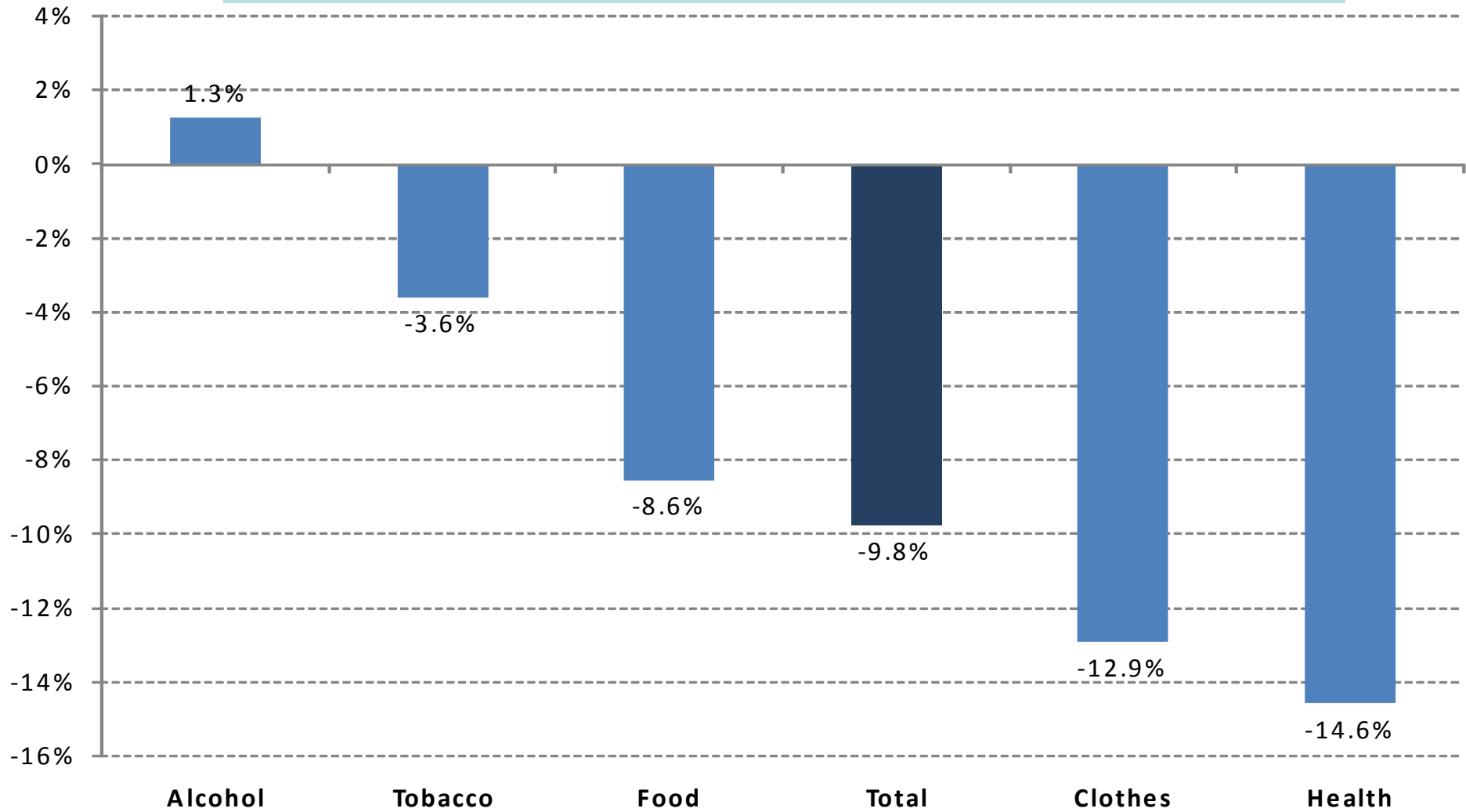
# People are using coping strategies:

Percent of Households in Montenegro who indicate they have utilized different coping mechanisms over the past year.





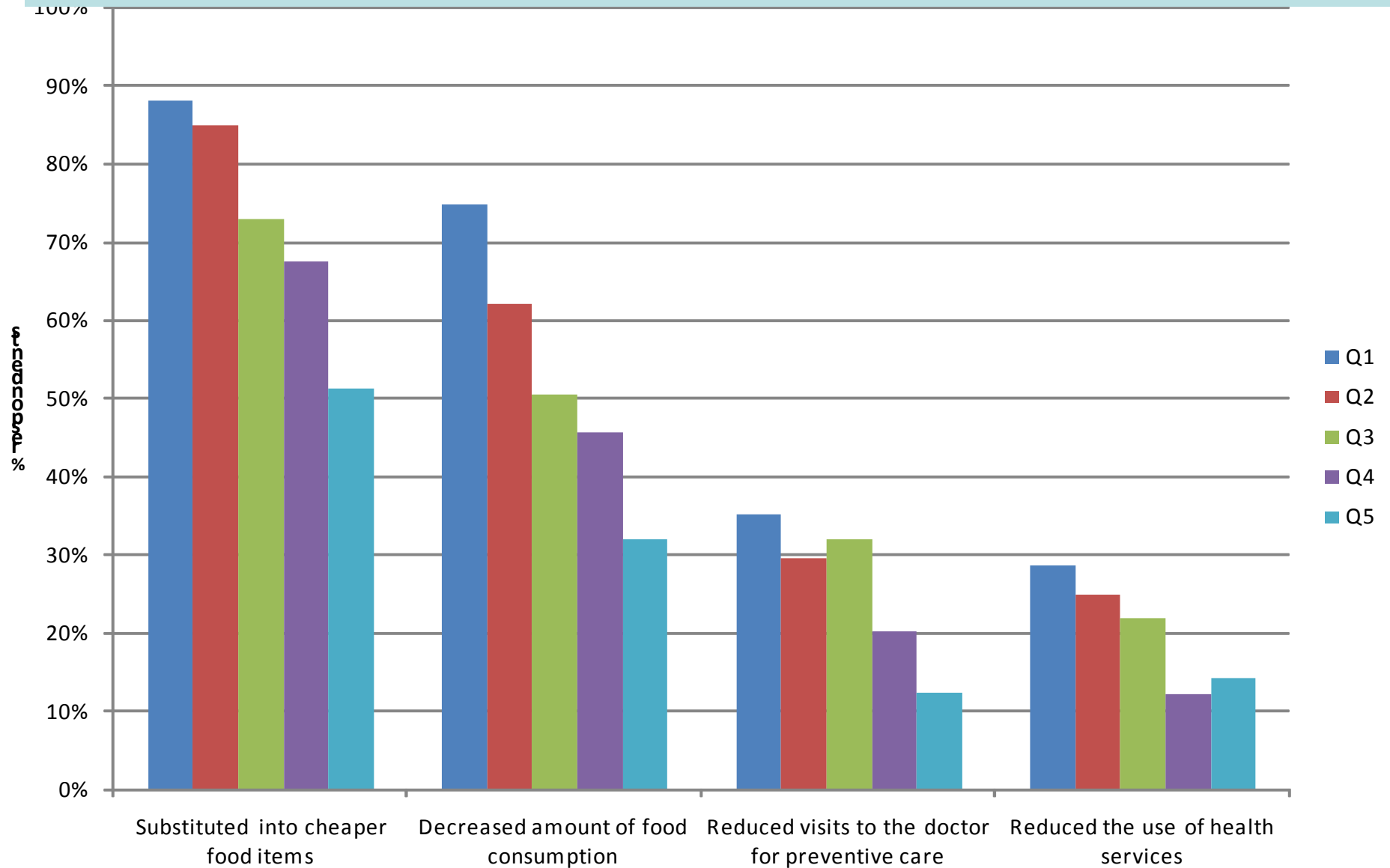
# Consumption changes in Armenia



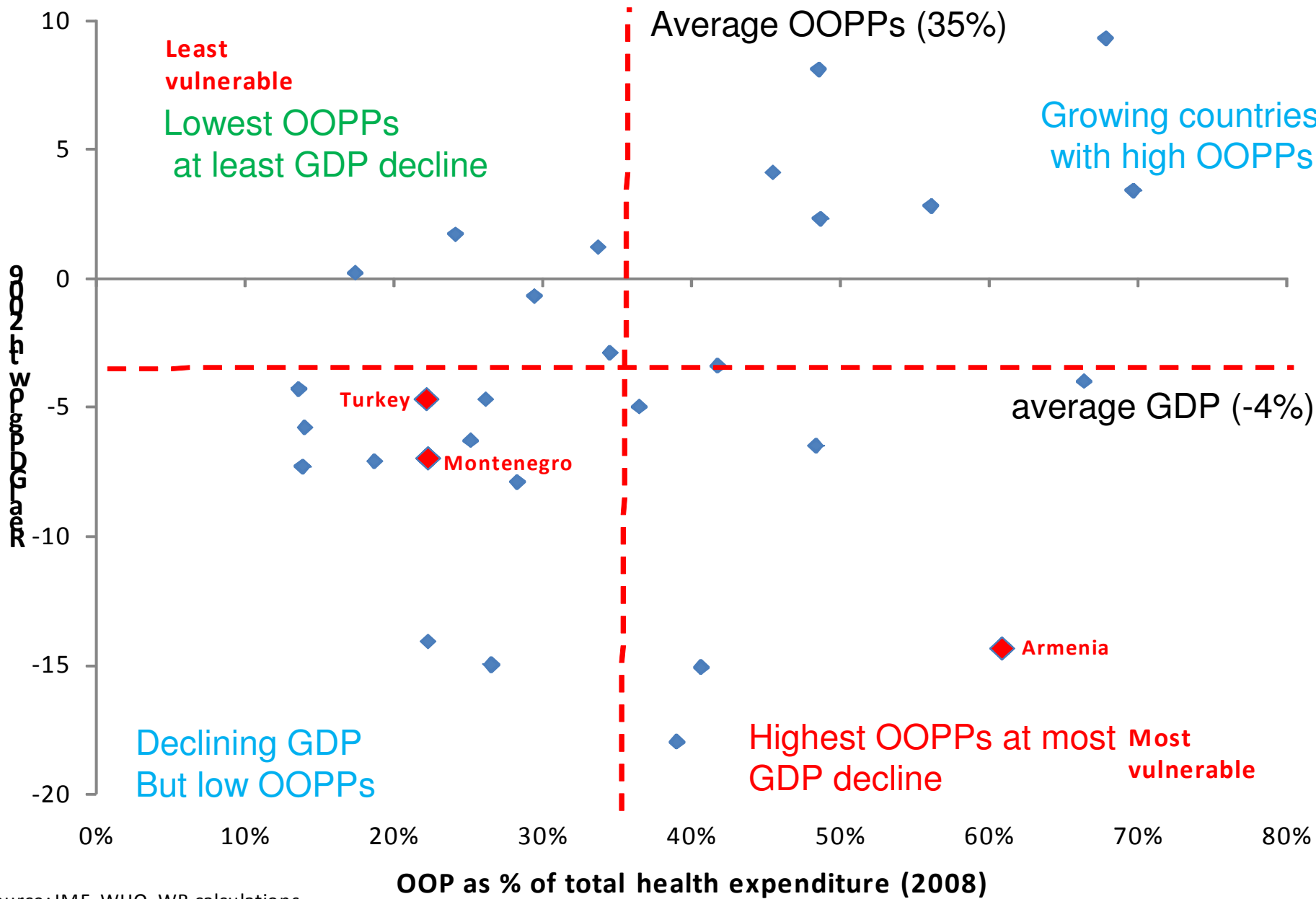
Source: ILCS 2008-2009, NSS.



# Coping strategies in Turkey – all tighten the belt...







Source: IMF, WHO, WB calculations



## Lessons from the HIF Survey

- Health + Social Insurance sectors generally unprepared for downturn
- Services rarely well targeted (hard to quickly scale up during crisis)
- Health sector still highly inefficient (little credibility with MoFs)
- Limited capacity to quickly track household actions/responses
- Is crisis really an opportunity? If yes – are we using it?
- What could be done to be more resilient in the next downturn?



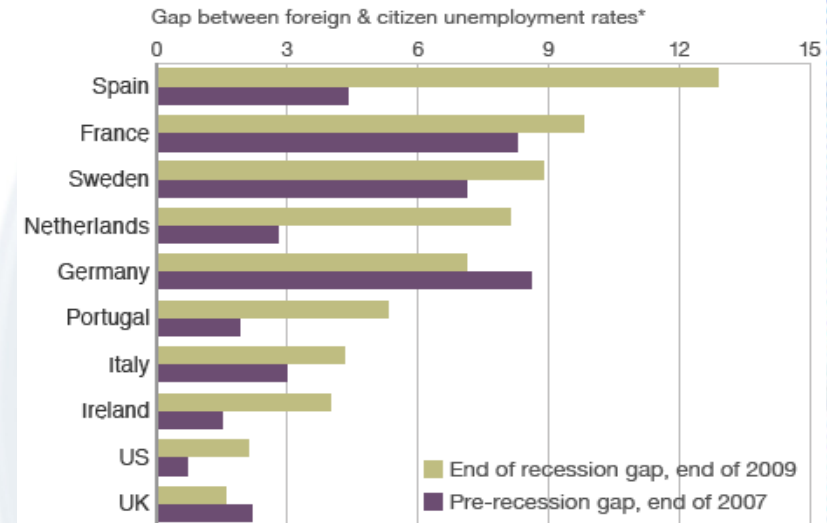
# An immediate social challenge: Migrants workers are most vulnerable...

## ■ New immigration policies:

- **Italy** criminalizing unlawful presence and preventing unauthorized migrants from accessing public services
- In 2009-2010, **France** conducted worksite raids to remove illegal immigrants."Repatriation of Roma to Romania and Bulgaria
- "Pay-to-go" schemes in **Spain** and **Czech Republic** and **Japan**: one-way tickets home and lump sum payments pegged to unemployment insurance benefits.



Difference between migrant and non-migrant unemployment rates



\*Chart shows percentage point gap between native & foreign nationals, Q4 2007 & Q4 2009  
Source: Eurostat, Current Population Survey (US), & Quarterly National Household Survey (Ireland)

## • Issues:

- Reduced remittances hit families at home
- Scapegoat behavior/xenophobia – hostile environment reported from all over EU
- Education gap – Low pay informal jobs
- Inclusion agenda: Erosion of gains
- Social cohesion, crime



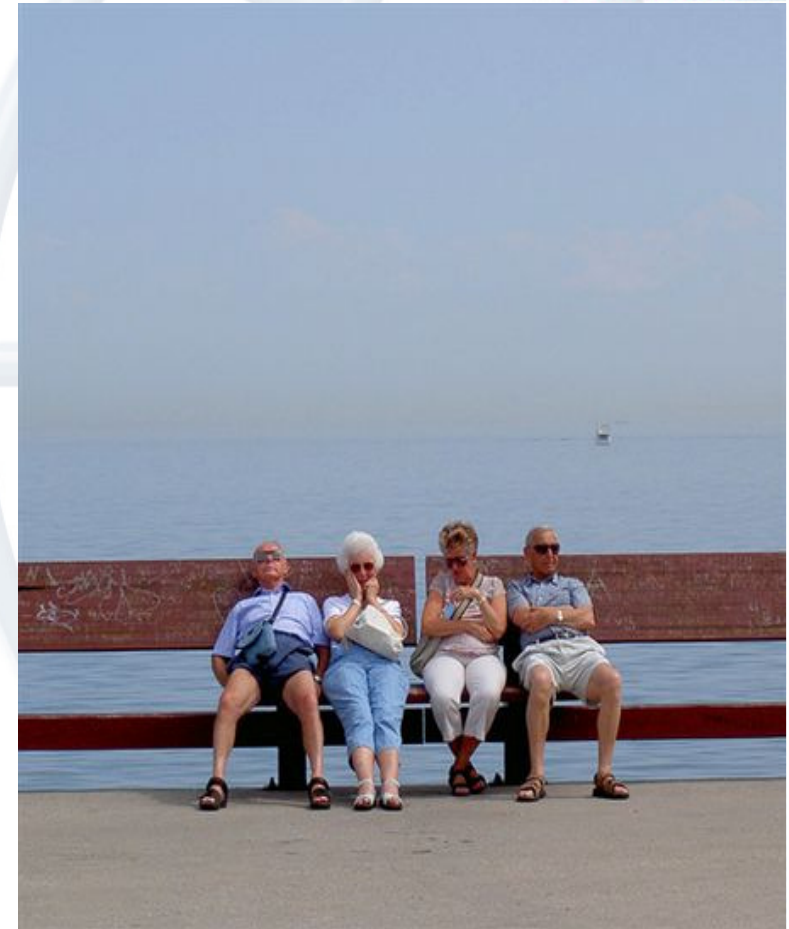
## ...and a longer term challenge: Link between growth and demographic change

### ■ EC 2009 Ageing Report:

- “The economic downturn makes the challenges created by ageing more acute.”
- “Without policy interventions, demographic changes will lead to reduced economic growth, a rising burden of dependency and threats for public finances through expenditure pressure on pensions, health and social services.”

### ■ Economist, November 20-26, 2010:

- “A shrinking population makes it harder to rekindle growth and end deflation”
- Japan as a scary example for Europe:
  - Median age = 44, by 2050 population will fall by 30% and 40% to be over 65.
  - Takashi Inoguchi: Japan = Argentina of the East... from top to economic decline.





# Flying blind? Data for decision-making

- **Little empirical research from previous crisis**
  - Mostly case studies and some anecdotal evidence.
  - No systematic collection of baseline data – not even from EUROSTAT, OECD
  - No international observatory which would systematically monitor appropriate indicators, (defined framework, ongoing, data driven)
  
- **We need a mandate for systematic data collection and analysis:**
  - National Health Accounts - MTEFs
  - Health budgets (fixed cost -capital expenditures, recurrent costs)
  - Health expenditures/budget execution
  - Household OOPs – Household surveys
  - Commodities and Trade for healthcare goods
  - Remittances (impact on household and foreign exchange)
  - Foreign aid and bilateral development assistance
  
- **Some data are collected as aggregates, but no systematic health systems focus - difficult to derive robust policy conclusions.**



## To mitigate fall-out of economic downturn requires cross-sectoral policy response.

- **Maintain/create jobs – close link to family health status:**
  - Short-time working allowances, reduced social security contributions, wage subsidies , support SMEs;
  - Ensure rapid (re-) integration into labor market:
  - Vocational training, sickness or disability benefits, unemployment benefits;
- **Support the vulnerable at home + abroad (Global public goods):**
  - Increase minimum wage, extend unemployment benefits, housing or family allowances, tax rebates, measures against over-indebtedness or repossession;
  - Global Health: Maintain Development Assistance for Health
- **Strengthen social protection/safety nets, invest in social and health infrastructure:**
  - Housing, PHC, LTC, schools, keep pension funds solvent.
  - Find extra revenues through appropriate taxation (ear-marked taxes?)
- **Understand the multi-sectoriality of health outcomes:**
  - Focus on “Health in All Policies” and the social determinants of health!



**Thanks for your attention!**

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