

# Economic Perspectives on Health in All Policies

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AERU, Lincoln University, NZ

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# Mihi

E ngā tāne, e ngā wāhine, e tau nei, tēnā koutou katoa.

Ka tino nui tāku mihi o aroha ki a koutou i tēnei ra.

Kei te mihi ahau ki ngā taonga katoa o Ngāi Tahu,  
tāngata whenua o tēnei rohe.

Ka iti tāku mōhio o te reo Māori,

ēngari kei te mihi ahau ki tēnei taonga o ēnei motu.

Tēnā koutou. Tēnā koutou. Kia ora tātou katoa.



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# Economic Perspectives – Caroline and Paul

This presentation is based on economics research that Caroline Saunders and I have undertaken in the AERU at Lincoln University over the last decade.



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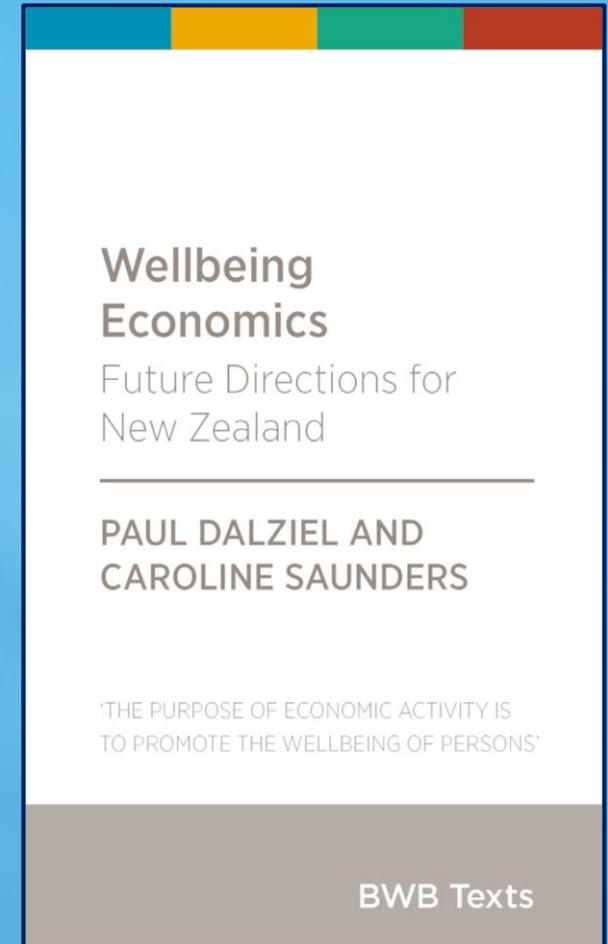
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# Wellbeing Economics

The approach we use is summarised in a small book published last year by Bridget Williams Books.

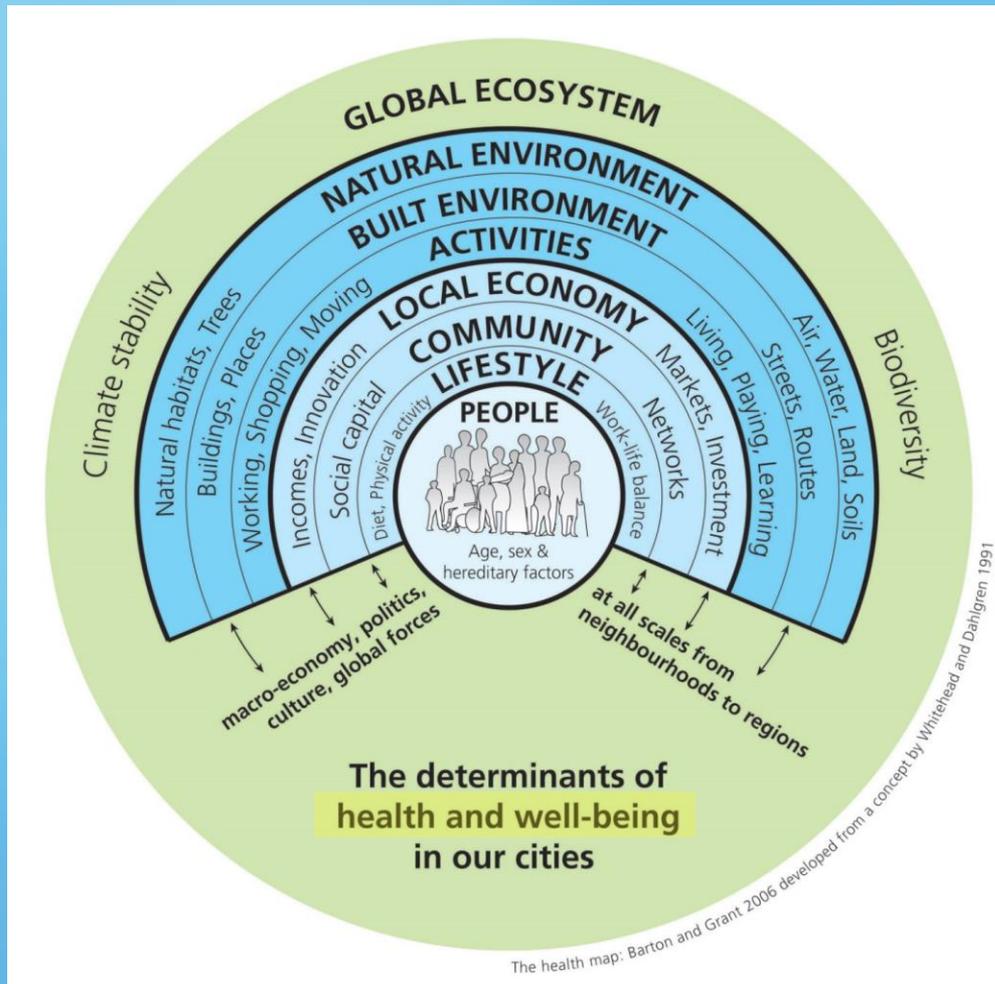


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# Wellbeing Economics and Health in All Policies



Wellbeing and Health are perhaps not exactly the same concepts, but they are very close – as this key HiAP figure crafted by Barton and Grant (2006) illustrates (reproduced in *CHIAPP Information Sheet 1*, Jan 2015).

# An economics perspective...

A couple of years ago I sent an email message to a colleague working for a small Town Council in Australia; it bounced back with the following message:

“Town Council has quarantined the email from site as your IP address has been known as a source of little or no informational value.”



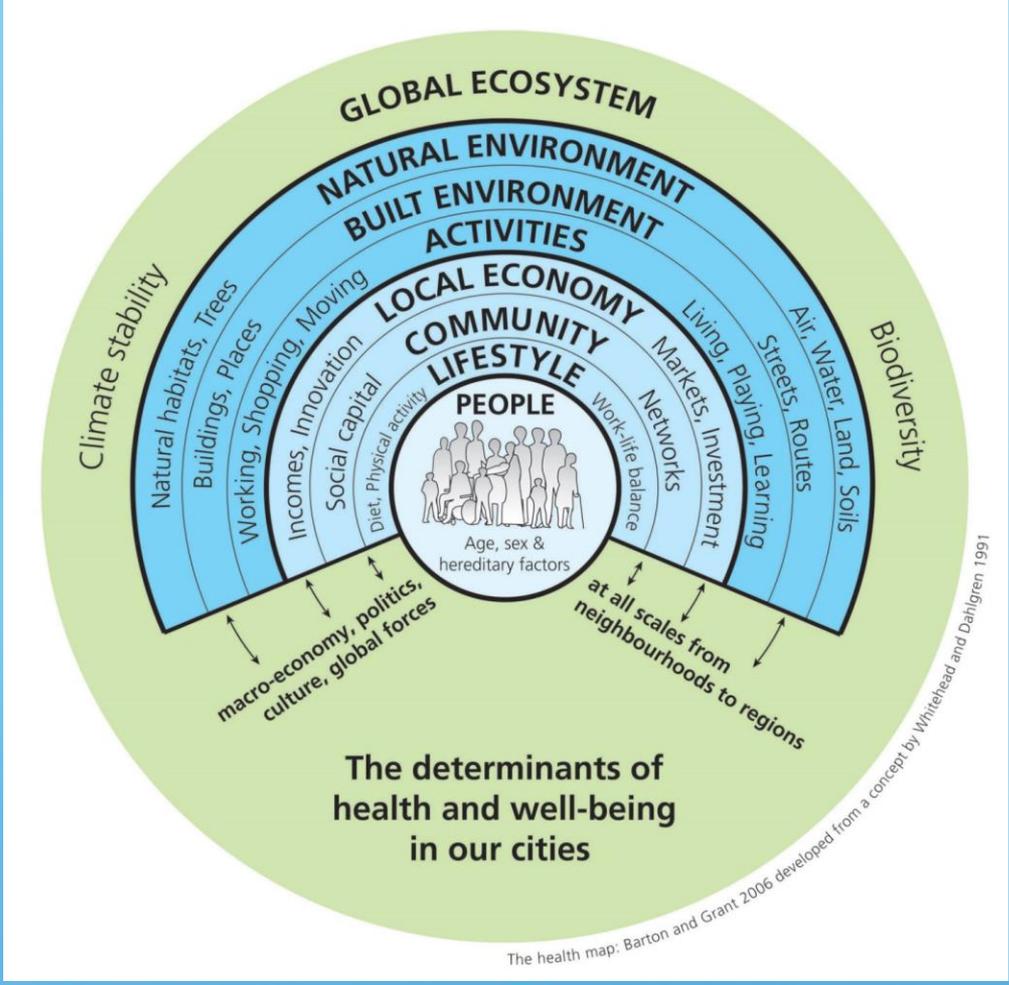
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# Economists struggle with HiAP...



Let's start with the big picture, using the outer ring of the figure where health and wellbeing are placed within the planet's environment:

- Global ecosystem
- Climate stability
- Biodiversity



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# The goal of economic policy...

“The driving goal of the new Government will be to grow the New Zealand economy in order to deliver greater prosperity, security and opportunities to all New Zealanders. It will be going for growth because it believes in the power of economic growth to deliver higher incomes, better living conditions and, ultimately, a stronger society for New Zealanders.”

- *Speech from the Throne, 9 December 2008*



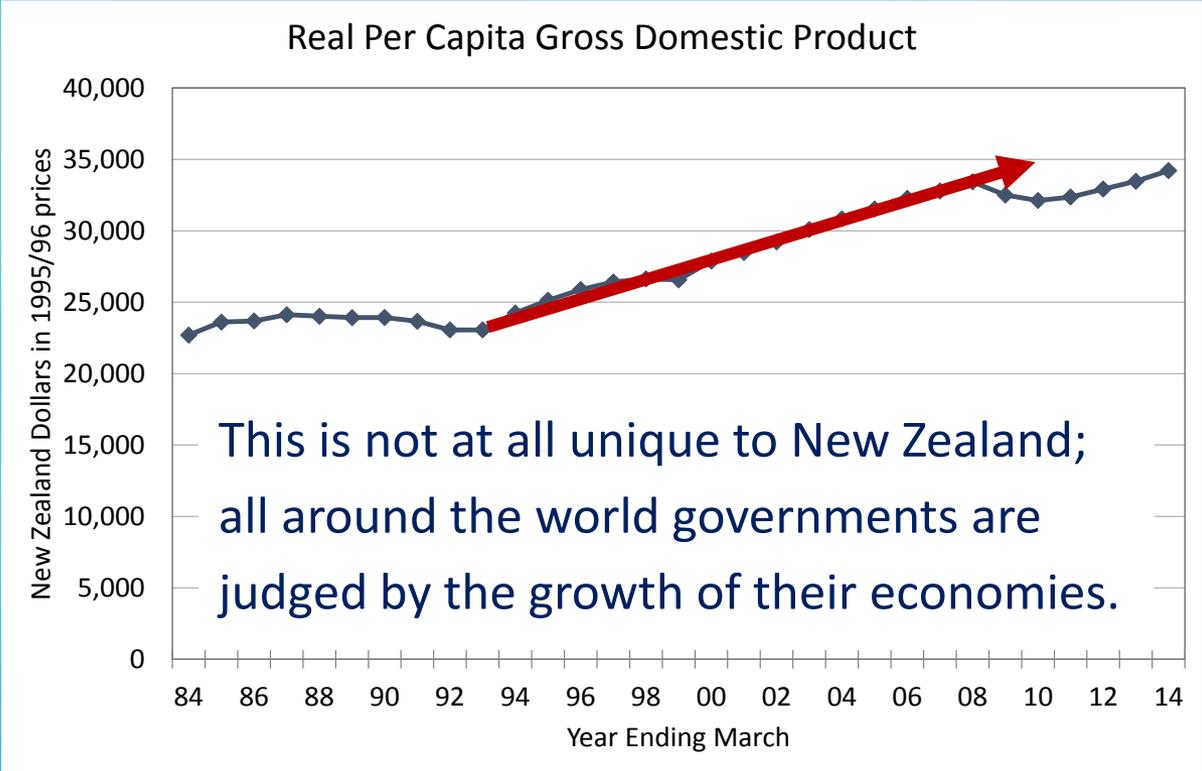
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# Economic Growth

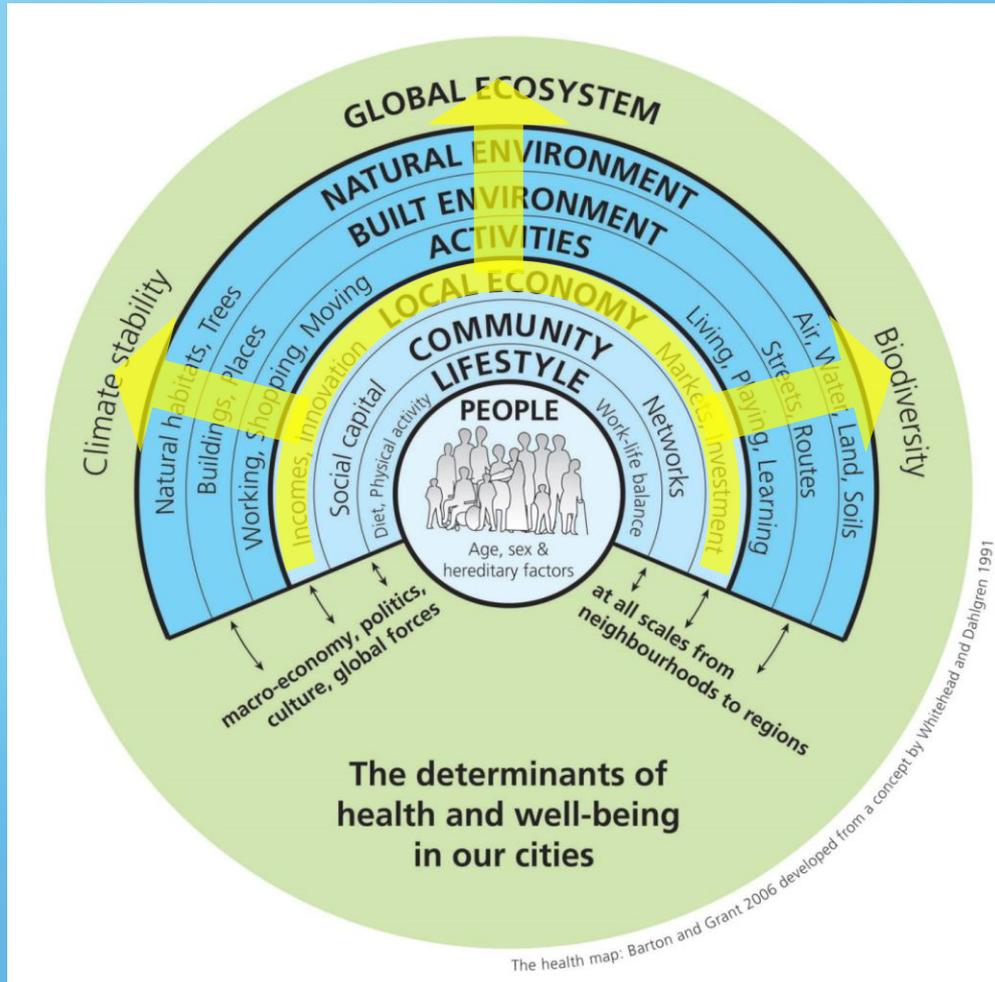
Economic growth means increases in the volume of market production (real GDP per person in this graph) that takes place in a country in a year.



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# Local economy and the global ecosystem

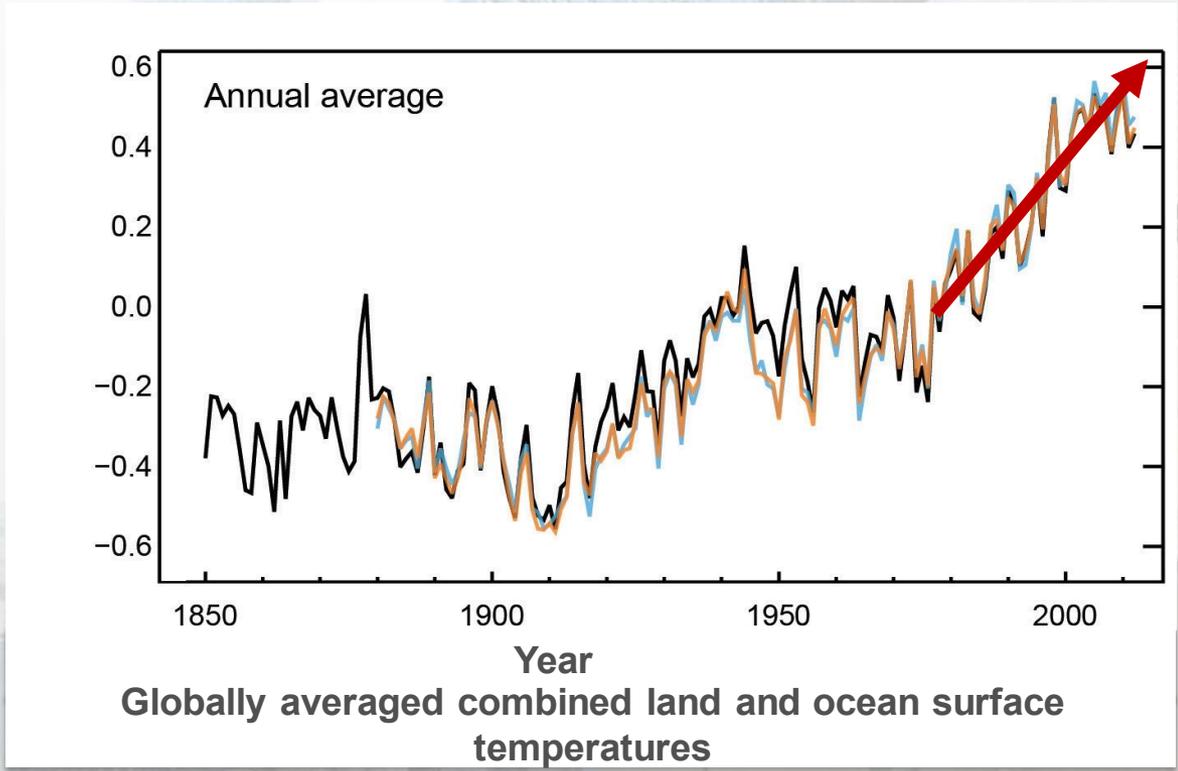


So economists advise governments on policies to “grow the economy”, but this impacts on the planet’s environment:

- Global ecosystem
- Climate stability
- Biodiversity

# Economic Growth and the Environment

It is extremely likely that we are the dominant cause of warming since the mid-20th century



AR5 WGI SPM

# Economic Growth and the Environment

“Warming of the climate system is unequivocal, and since the 1950s, many of the observed changes are unprecedented over decades to millennia. The atmosphere and ocean have warmed, the amounts of snow and ice have diminished, and sea level has risen.”

- IPCC (2014, p. 1)



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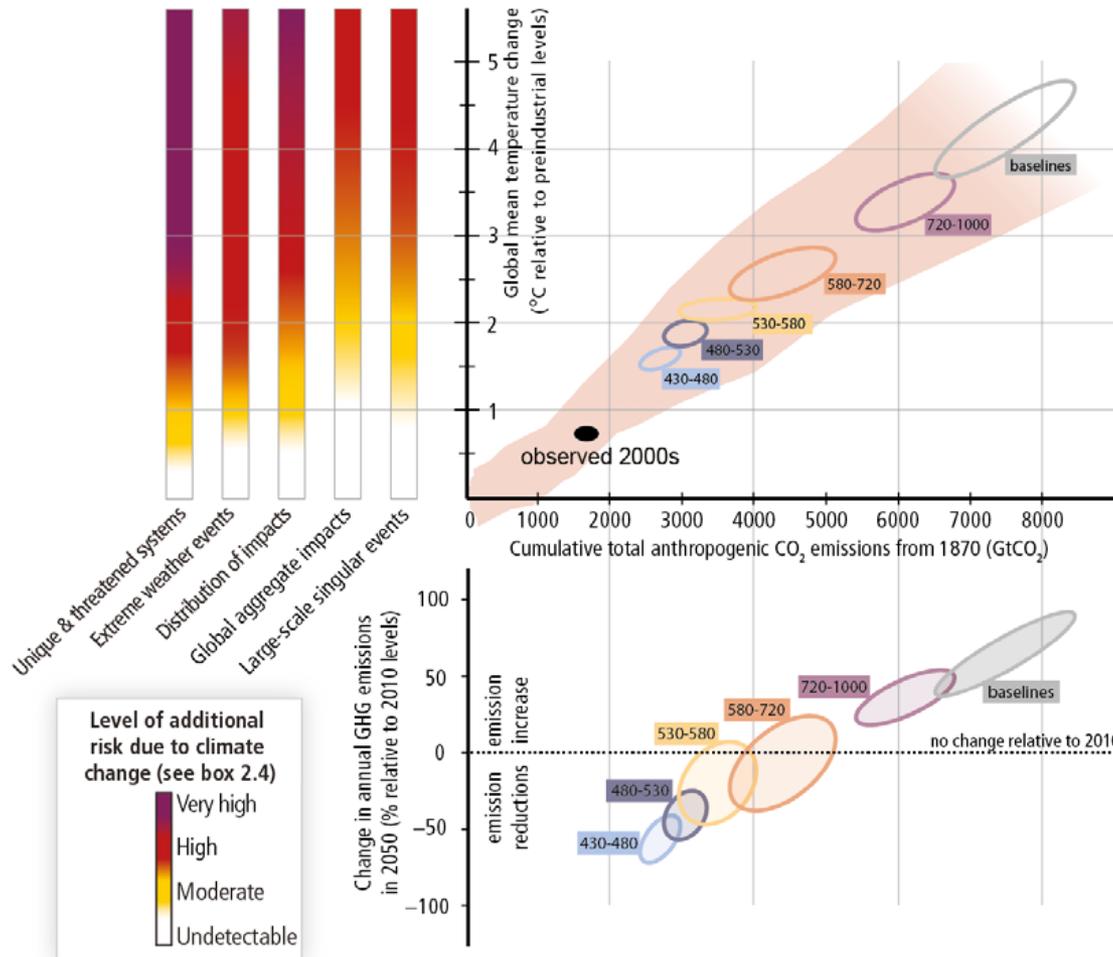


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Figure SPM.10,  
A reader's guide

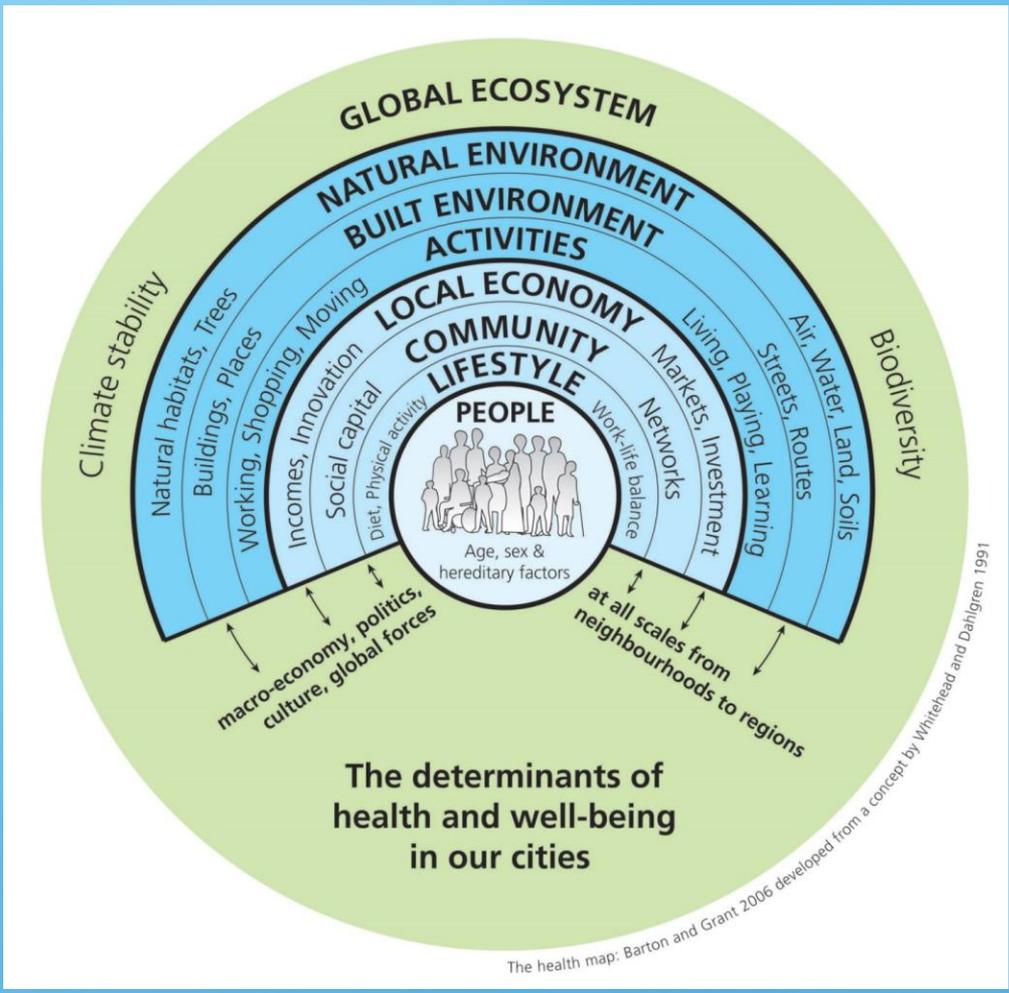
From climate  
change risks to GHG  
emissions

(A) Risks from climate change... (B) ...depend on cumulative CO<sub>2</sub> emissions...



(C) ...which in turn depend on annual  
GHG emissions over the next decades

# Economic Growth and the Environment



In short, policies “to grow the economy” along the same lines as in the past will produce stepwise falls in human wellbeing.

This is the antithesis of Health in All Policies...



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# The atmosphere is excluded from GDP...

“Resources such as the atmosphere or high seas, over which no ownership rights can be exercised, ..., are not included as they are not capable of bringing any benefits to their owners, given the technology and relative prices existing at the time.”

- United Nations (2009, p. 7)



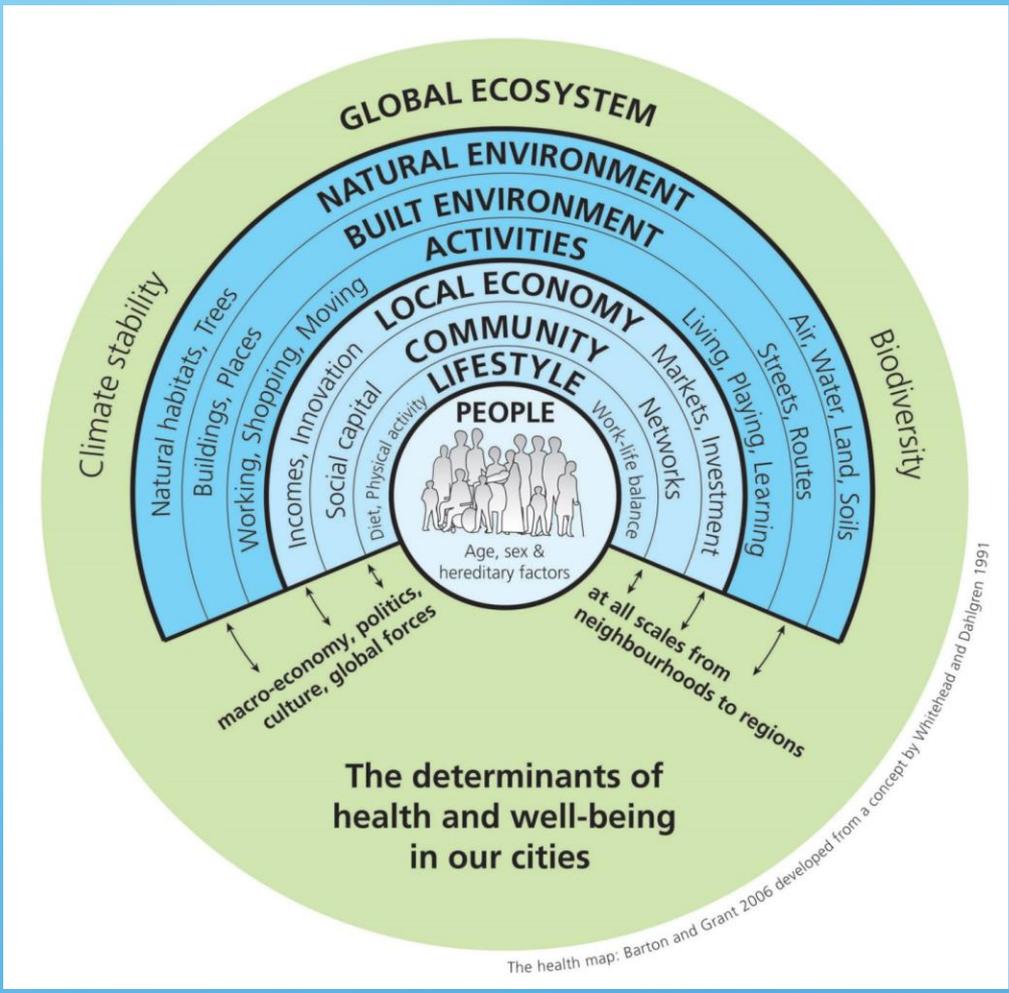
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# Economic Growth and the Environment



In short, the core GDP measure used to evaluate the success of economic policies *excludes* changes in the atmosphere.

This is the antithesis of Health in All Policies...



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# Why “an economics perspective” ...

“Town Council has quarantined the email from site as your IP address has been known as a source of little or no informational value.”

Economists are struggling with HiAP at the global level, although there have been notable exceptions and the profession is changing.



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# *Counting for Nothing*

One of the early economists to write on this issue was Marilyn Waring, whose book *Counting for Nothing* was published in 1988.

Marilyn received the NZIER Economics Award in 2014 primarily for this book and its worldwide impact.



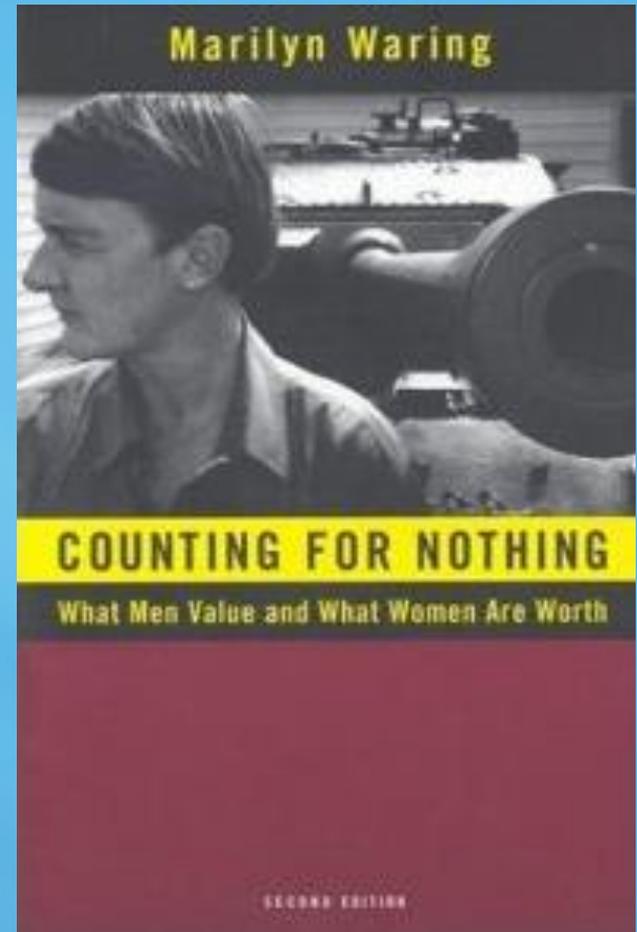
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“I learned that in the UNSNA, the things that I valued about life in my country – its pollution-free environment; its mountain streams with safe drinking water; the accessibility of national parks, walkways, beaches, lakes, kauri and beech forests; the absence of nuclear power and nuclear energy – all counted for nothing.” (p. 1)



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# And the profession is changing...

Internationally there has been a movement in the economics profession globally to widen the objectives of economic policy advice from a particular focus on **economic growth** to a wider perspective on **people's wellbeing**.



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# The Stiglitz-Sen-Fitoussi Commission



In 2008, Nicholas Sarkozy invited three eminent economists to report on measures of economic performance and social progress.

Their report the following year was clear on the need to shift to a greater emphasis on **wellbeing**.



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# The Stiglitz-Sen-Fitoussi Commission

“Another key message, and unifying theme of the report, is that the time is ripe for our measurement system to *shift emphasis from measuring economic production* [that is, GDP] *to measuring people’s well-being.*”

– Stiglitz *et al.* (2009, p. 12, emphasis in the original)



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# The Organisation for Economic Cooperation and Development (OECD) in Paris

“The mission of the OECD is to promote policies that will improve the economic and social **well-being of people** around the world.”

“The common thread of our work is a shared commitment to market economies backed by democratic institutions and focused on the **wellbeing of all citizens.**”



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# The United Kingdom

“... today the government is asking the Office of National Statistics to devise a new way of measuring **wellbeing** in Britain. And so ... we'll start measuring our progress as a country, not just by how our economy is growing, but by how our lives are improving; not just by our standard of living, but by our **quality of life**.”

– David Cameron (25 November 2010)



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# The Australian Treasury

“Treasury’s mission is to improve the wellbeing of the Australian people ...”



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# The New Zealand Treasury

“The [Living Standards] Framework is intended to help Treasury consistently provide Ministers robust, theoretically-grounded and evidenced-based advice that aims to **improve the lives** of all New Zealanders.”

– Gleisner *et al.* (2011, p. 1)

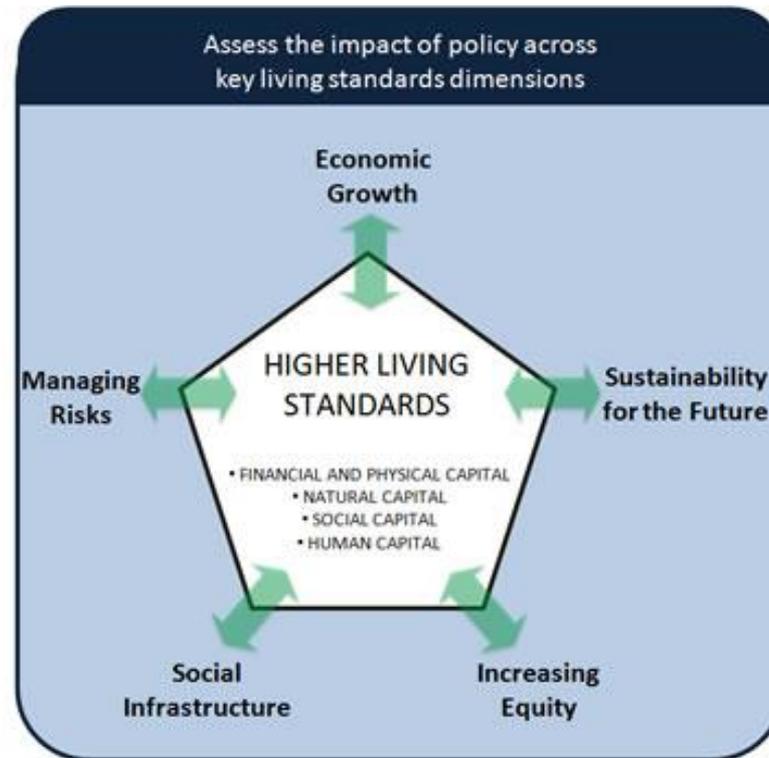


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# The New Zealand Treasury



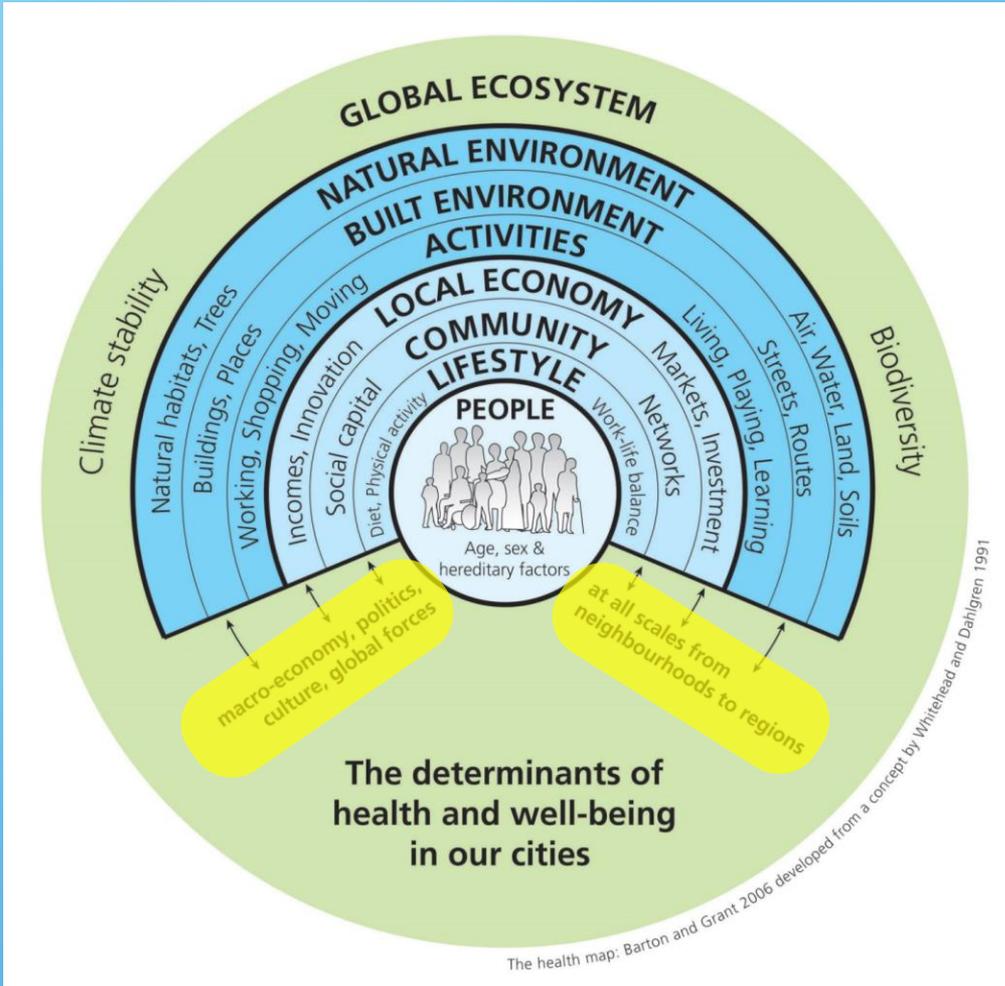
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# From the global to the local...



Health in All Policies is not just at the cutting edge of these global changes in attitude; it is also concerned about ways in which local policies interact to promote or hinder health and wellbeing.



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# Local Government in New Zealand



Regional, city and district councils in New Zealand are covered by the Local Government Act 2002, which underwent some significant changes in 2012.



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# The Local Government Act in 2002

## 10 Purpose of local government

- (1) The purpose of local government is—
  - (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
  - (b) to promote the social, economic, environmental, and cultural **well-being of communities**, in the present and for the future.



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# The Local Government Act, since 2012

- (1) The purpose of local government is—
  - (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
  - (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most **cost-effective** for households and businesses.



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# The announced benefits of the change...

## Better Local Government Fact Sheet



### Refocus the purpose of local government

#### Introduction

In March 2012 the Minister for Local Government announced a reform programme for local government. The programme is part of the Government's broader economic growth programme, and is designed to improve the efficiency and effectiveness of local government. Called "Better Local Government", the programme consists of two phases. The first of these phases has resulted in changes to the Local Government Act 2002.

This fact sheet explains the changes to the purpose of local government.

#### What's new?

The purpose of local government, as defined in the Act, continues to be to "enable democratic local decision-making and action by, and on behalf of, communities". This hasn't changed.

The second part of the purpose of local government is now: "to meet the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses".

#### What are the benefits?

The change focuses local authorities on doing the things only they can do, and do well. It encourages them to reduce red tape and compliance costs; minimise rates; lower debt and provide high quality infrastructure in a cost-effective way.

The new Act reinforces that local government acts on behalf of its communities and works with them to decide what local services and infrastructure will be provided and at what cost.

The new purpose statement encourages local authorities to take a fresh look at what they are doing and why, and to seek guidance from their communities about what they want from their council now and into the future.

#### What does it mean for me?

Local authorities will be taking a good look at their activities to ensure everything they do fits the new purpose and matches their community's expectations. They will be asking their communities for their views on what services and infrastructure matter – and how much they are willing to pay for them.

INTERNAL AFFAIRS

Te Tari Taiwhenua

New Zealand Government

“The change focuses local authorities on doing the things only they can do, and do well. It encourages them to reduce red tape and compliance costs; minimise rates; lower debt and provide high quality infrastructure in a cost-effective way.”



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# My personal view...

My personal view is that the 2012 change to the purpose of Local Government was tragic.



- It pushes local councils back into silos (what “only they can do”).
- The emphasis is on “reduced rates” rather than on value for money.
- It makes Health in All Policies much harder to achieve.



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# Cost Effectiveness

- Cost effectiveness analysis (CEA) is an economics tool, particularly important in health policy.
- The analyst determines what it is the policy options are trying to achieve; for example, gains in Quality Adjusted Life Years (QALYs).
- The analyst works out for each proposal the cost per QALY gained and chooses the proposal with the lowest figure; that is, the most cost-effective.



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# Cost Effectiveness Analysis: Example

	Cost (\$ million)	QALYs Gained (number)	Cost per QALY (\$)
Intervention 1	240	6,000	
Intervention 2	600	10,000	
Intervention 3	700	20,000	



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# Cost Effectiveness Analysis: Example

	Cost (\$ million)	QALYs Gained (number)	Cost per QALY (\$)
Intervention 1	240	6,000	\$40,000
Intervention 2	600	10,000	\$60,000
Intervention 3	700	20,000	\$35,000

Intervention 3 is picked as the most cost effective.



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# Cost Effectiveness Analysis

- CEA has its place, but not for local government where it does not help Health in All Policies.
- It requires a single measurable benefit (QALYs); it is not good when there are multiple benefits, some of which are hard to quantify.
- It requires comparable interventions (e.g. all in health policy); it is not good when an option is a side-effect in another policy area (HiAP).



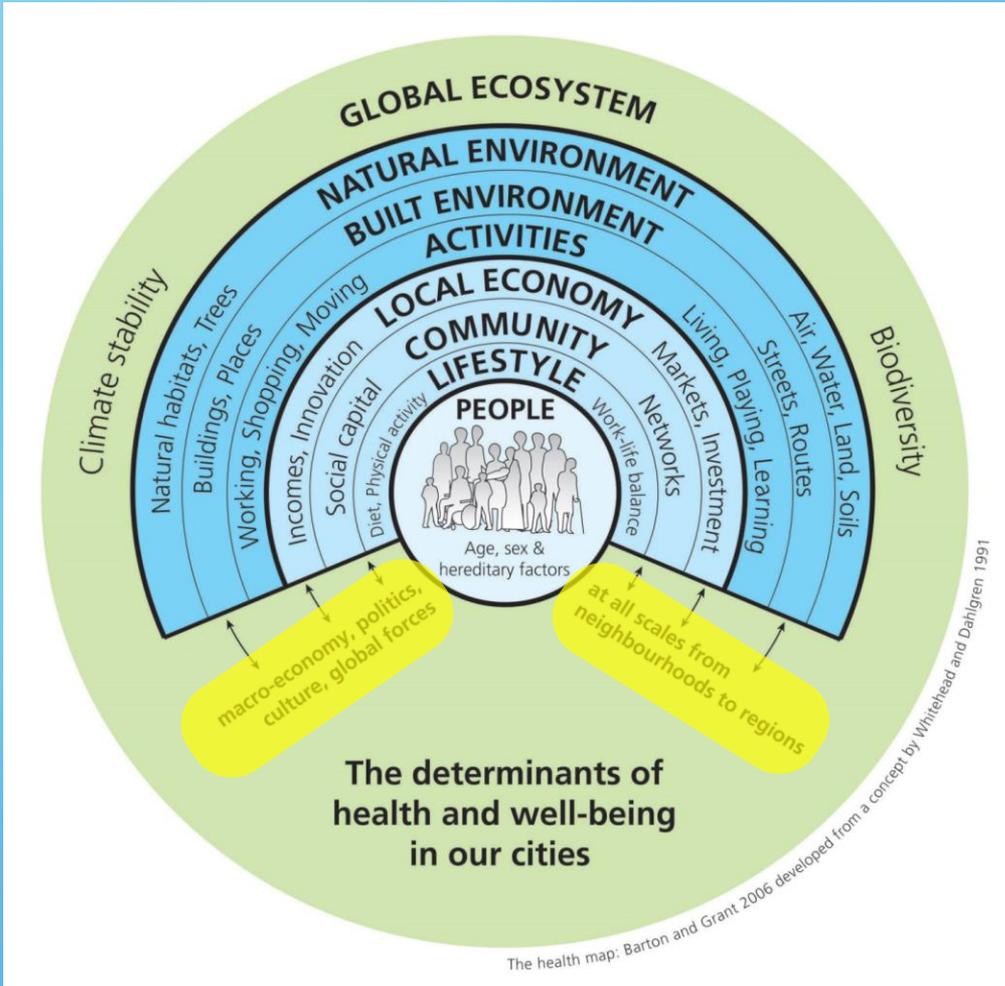
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# From the global to the local...



So Health in All Policies is at the cutting edge of changes in policy at the local level as well as at the global level.

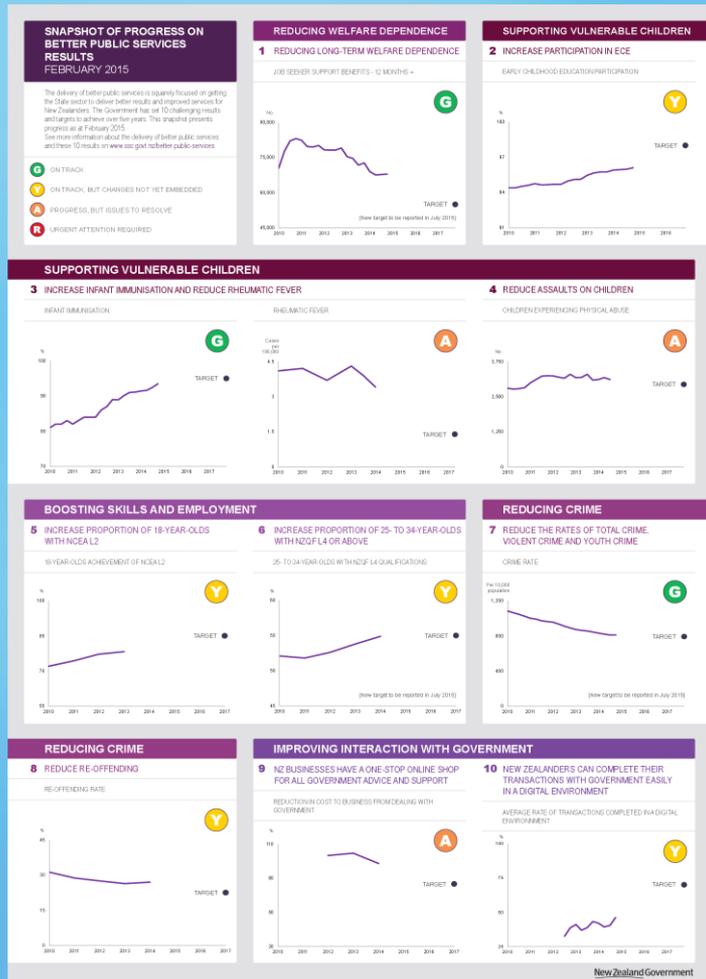
I want to salute your efforts in this space; they create a path to a more positive future.



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# Better Public Services

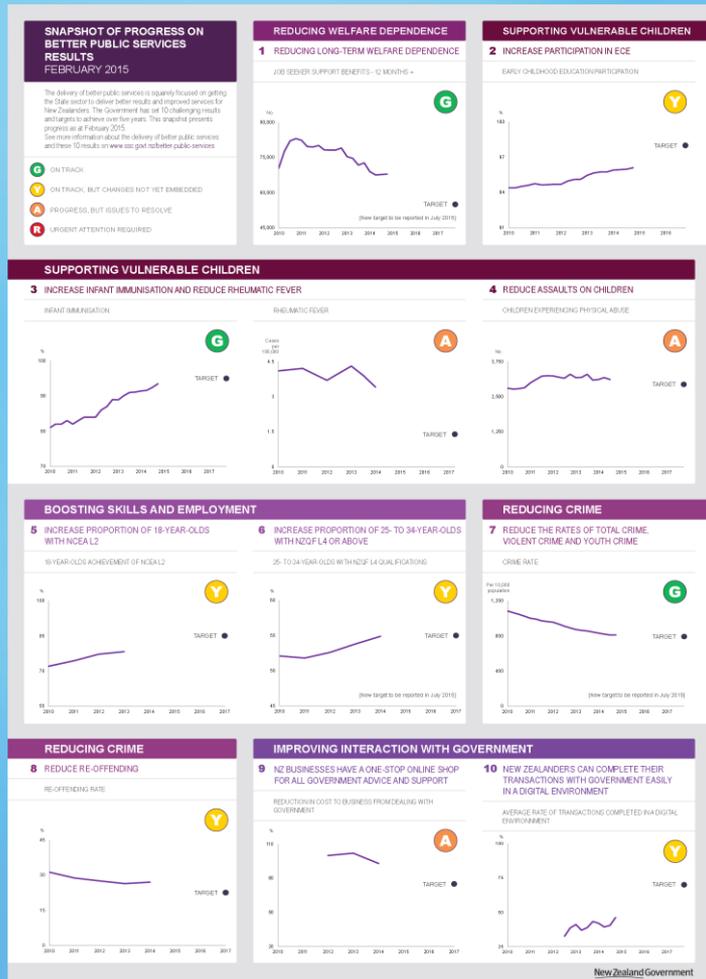


I want to finish with an example of why I think these efforts will eventually succeed, based on the government’s “Better Public Services” (BPS) programme.

BPS has ten specific targets under five themes where agencies are combining efforts to deliver results (see [www.ssc.govt.nz/better-public-services](http://www.ssc.govt.nz/better-public-services)).



# Better Public Services



The significant point is the way in which the programme operates (taken from its website):

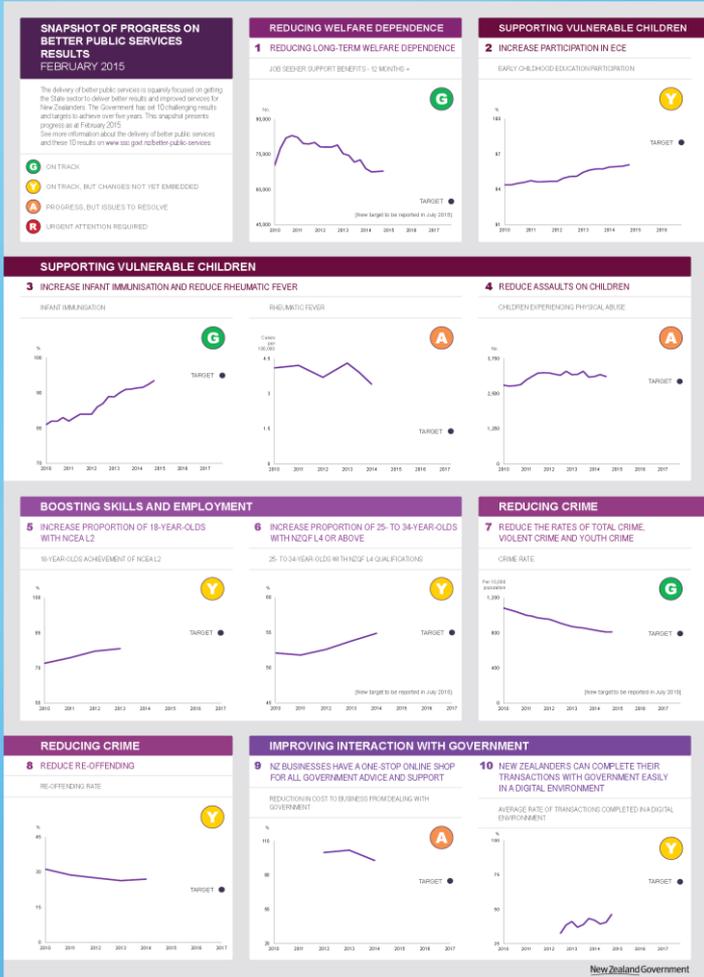
“Government agencies are working together and with communities to come up with innovative ways to deliver better public services.”



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# Better Public Services



“Government agencies are working together and with communities to come up with innovative ways to deliver better public services.”

I think this is a great model for local government and HiAP. Adult health is not a current target or theme, but it could be!



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Kua mutu āku korero mo tēnei rā.

That finishes my talk for today.

Tēnā koutou. Tēnā koutou.

That is you. That is you.

Kia ora tātou katoa.

May you and I, all of us, enjoy well-being.



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