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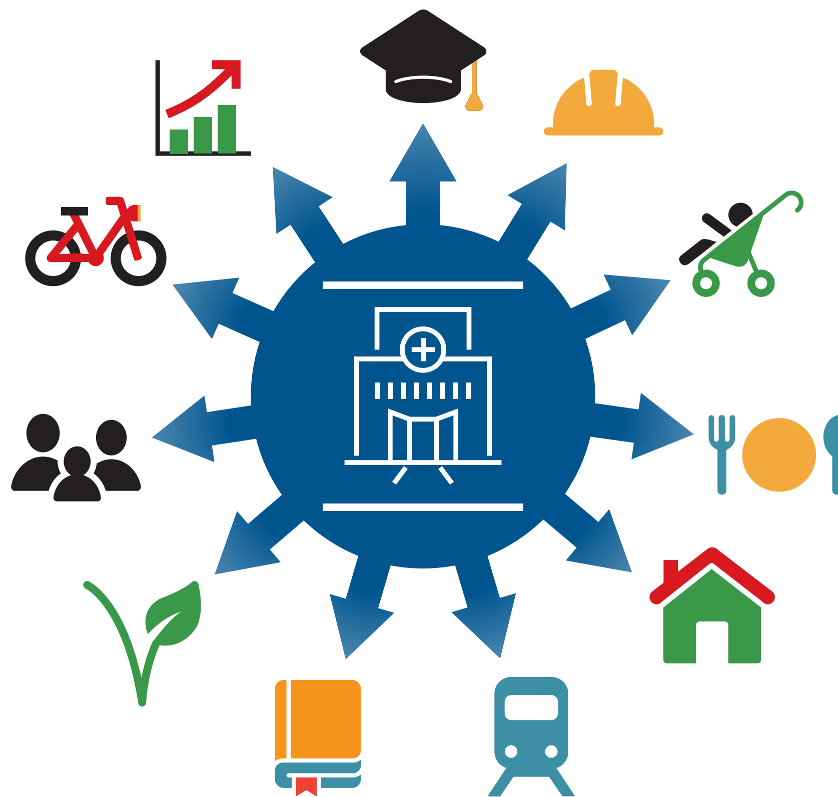
ECONOMIC AND SOCIAL IMPACTS AND BENEFITS OF HEALTH SYSTEMS



Report

ECONOMIC AND SOCIAL IMPACTS AND BENEFITS OF HEALTH SYSTEMS

Tammy Boyce and Chris Brown

Report

Abstract

This report provides evidence and practical methods to show the health sector is essential to a stable, functioning economy. Health systems have a positive impact on the economic performance of other sectors in the national economy, through the jobs they generate and from the purchase of goods and services. This report seeks to assist European policy-makers, providing guidance and tools to engage in stronger dialogue with ministries of finance and international institutions, to prevent disinvestment in health. It provides a framework that policy-makers at national, regional and local levels can apply to demonstrate health systems are a key sector for driving forward the implementation of local and national goals for sustainable development.

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Abbreviations

CCFCCF	Cardiff City Football Club Community Foundation
CWB	community wealth-building
EIB	European Investment Bank
EU	European Union
EU28	the 28 countries belonging to the EU since 2007
GDP	gross domestic product
ILO	International Labour Organization
IOT	input/output table
MSMEs	micro, small and medium-sized enterprises
NEET	not in employment, education or training
NHS	National Health Service
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
SSP	strategic social purchasing
UHC	universal health coverage

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The work is an example of new partnerships between the WHO Regional Office for Europe and Member States to drive forward innovative approaches to health and well-being for all. It showcases the value of bringing together knowledge and expertise from different programmes and divisions across the Regional Office, with the aim of providing policy-makers with improved evidence and the practical tools that can bring the health and finance sectors together to invest in health and to take action on addressing the determinants of health for all.

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Summary

The drive to deliver better results for the economy and for society goes hand in hand with the daily pressures faced by policy-makers to contain public expenditure and deliver improved outcomes. This is nowhere more evident than in the health sector, where costs are perceived to be spiralling; as a result, the sector faces huge pressures to cut budgets and services. This pressure is driven by a widespread belief within government and financial institutions that the health sector is a drain on the economy.

This report brings forward **new evidence**, **practical methods** and **opportunities** to show how the **health sector is essential to a stable, functioning economy** in all countries of the WHO European Region. The work supports the implementation of the commitments of the **invest** and **solidarity** pledges resulting from the High-level meeting on health systems for prosperity and solidarity (the Tallinn+10, held in Tallinn, Estonia in June 2018) upon the 10-year anniversary of the Tallinn Charter: Health Systems for Health and Wealth, as well as the Health 2020 commitments to reduce health inequities by **addressing the social determinants of health**.

In July 2018 the Tallinn Charter for Health Systems Health and Wealth was revisited and it was concluded that there is a need to "intensify efforts to bring health and finance decision-makers together around shared goals by taking note of public finance objectives and correspondingly demonstrating the economic and social returns of investing in health systems".

The findings and methods highlighted and discussed in this report will enable the health sector to engage in stronger dialogue with:

1. ministries of finance and international institutions, to prevent disinvestment in health;
2. the economic and development sectors, particularly regarding the contribution made by health systems to reducing social and economic exclusion and improving the resilience of cities and regions.

The main findings of this report show that the health sector:

- is essential in determining the **economic performance and stability** of a country;
- has a **positive impact on the economic performance of other sectors** in the national economy, through the jobs it generates and from the purchase of goods and services;
- has a **major role to play in reducing social exclusion** at the local level, due to its impact on employment, working conditions and household income;
- can **increase its status as a key sector for driving forward the implementation of local and national goals for sustainable development**, by enhancing its employment, training and purchasing functions both locally and nationally.

This work provides **evidence and tools** to enable those involved in the management, commissioning and delivery of health systems by providing evidence, examples, economic arguments and methods to:

- **quantify the total economic and social contribution of health systems** to national and local economies;
- **increase the impact of spending and employment** on social and sustainability outcomes in villages, cities and regions;
- **shift the discourse** within Europe towards health as an investment sector that is essential to social and economic well-being.

The economic and social returns on investing in health systems are multiple (as shown below).

The health sector…

…	
… is vital to determining the economic performance and stability of a country and a key sector in the implementation of local and national goals for sustainable development.	The health sector is a key institution within many communities, and is frequently the largest or one of the largest employers, providing high-quality jobs. In 2015, in Organisation for Economic Co-operation and Development (OECD) countries, health and social work activities constituted around 10% of total employment.
… has a positive impact on the economic performance of other sectors that make up the national economy, through jobs created, both directly, and indirectly through purchasing.	Health systems are important commissioners of services and products, providing business to local companies. Procurement by public services is a significant part of national economies, representing €2 trillion every year, 14% of the European Union's (EU's) gross domestic product (GDP).
… reduces social exclusion at the local level through its impact on employment, working conditions and household income.	While employment rates are increasing in Europe, more people are also living in poverty. In many sectors, conditions and rates of pay do not reflect the needs of all people to live healthy lives. Jobs in the health sector are usually of high quality; for example, temporary contracts are less commonplace than in other sectors, and benefits such as parental leave are usually provided.

1. Introduction

"Health investment is the smartest investment – it pays off."

Dr Zsuzsanna Jakab, WHO Regional Director for Europe *(1)*

The primary function of health systems is to provide high-quality and universal health services. At the same time, through their spending and investments, **health systems play an important role in the status and stability of national and regional economies**. To date, this economic contribution has not been captured.

Health systems play an increasingly important role in **driving inclusive and sustainable development** through responsible practices in the areas of **employment and the purchasing of goods and services**. This social benefit of health systems is not well documented or currently considered in many mainstream policies and practices.

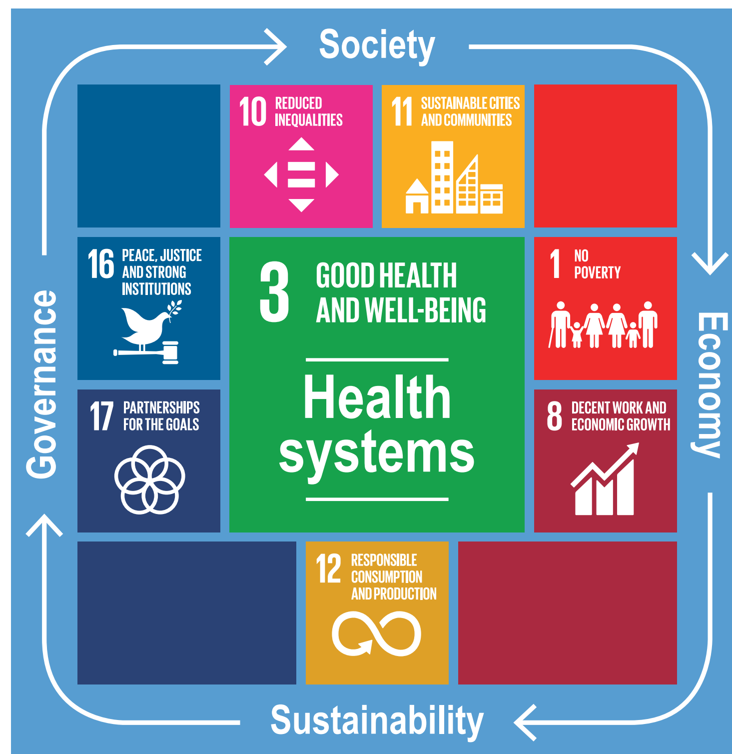
This report sets out the rationale, evidence and methods to understand the significant potential economic and social impacts and benefits across the WHO European Region. The work seeks to support broader efforts to see **health systems as key in promoting equitable and inclusive development**, helping to **create benefits for the whole community, in particular for those who are often left behind**.

Health and well-being contribute to economic and social progress and in turn, **economic security and social cohesion are two key determinants of health**. The WHO Regional Office for Europe's forthcoming European Health Equity Status Report shows that progress to achieve better social and economic conditions for health is mixed, and that lack of economic security and of social cohesion are major factors in the differences between countries, in terms of gaps in life expectancy, premature morbidity, and life-limiting illness across all WHO European Region Member States.

In addition to health systems' function to protect and promote the health of the population, they have many economic and social impacts, which have been largely overlooked to date. By **making their social and economic impacts visible, health systems** will benefit from a **stronger position in local and national development plans and investment strategies**. This will also make a significant contribution to **shifting the debate** from health systems being perceived as **only representing a cost**, to them being **understood as mechanisms that drive economic stability, and as essential partners for achieving social and economic well-being**.

Fig. 1.1 shows the economic and social benefits and impacts that health systems bring about, within the context of implementing health and well-being for sustainable development.

Fig. 1.1 Economic and social benefits and impacts of health systems



2. Health systems – an important sector influencing economic performance and stability

2.1 Shifting the debate

Because the economic and social impacts and benefits of health systems are poorly understood, too often they are overlooked in mainstream development processes and investment decisions at local, national and European levels. Instead, the dominant debate focuses on the cost of health systems and, as a result, in many countries public expenditure on health is being challenged and is at risk of declining *(2)*.

International institutions, such as WHO and the World Bank acknowledge the powerful role of public systems for health and education by **measuring the economic benefits** from investments in human capital through education, training, and professional development. Within WHO, practice-based research is showing how investments made by health systems lead to benefits beyond improving health outcomes *(3)*.

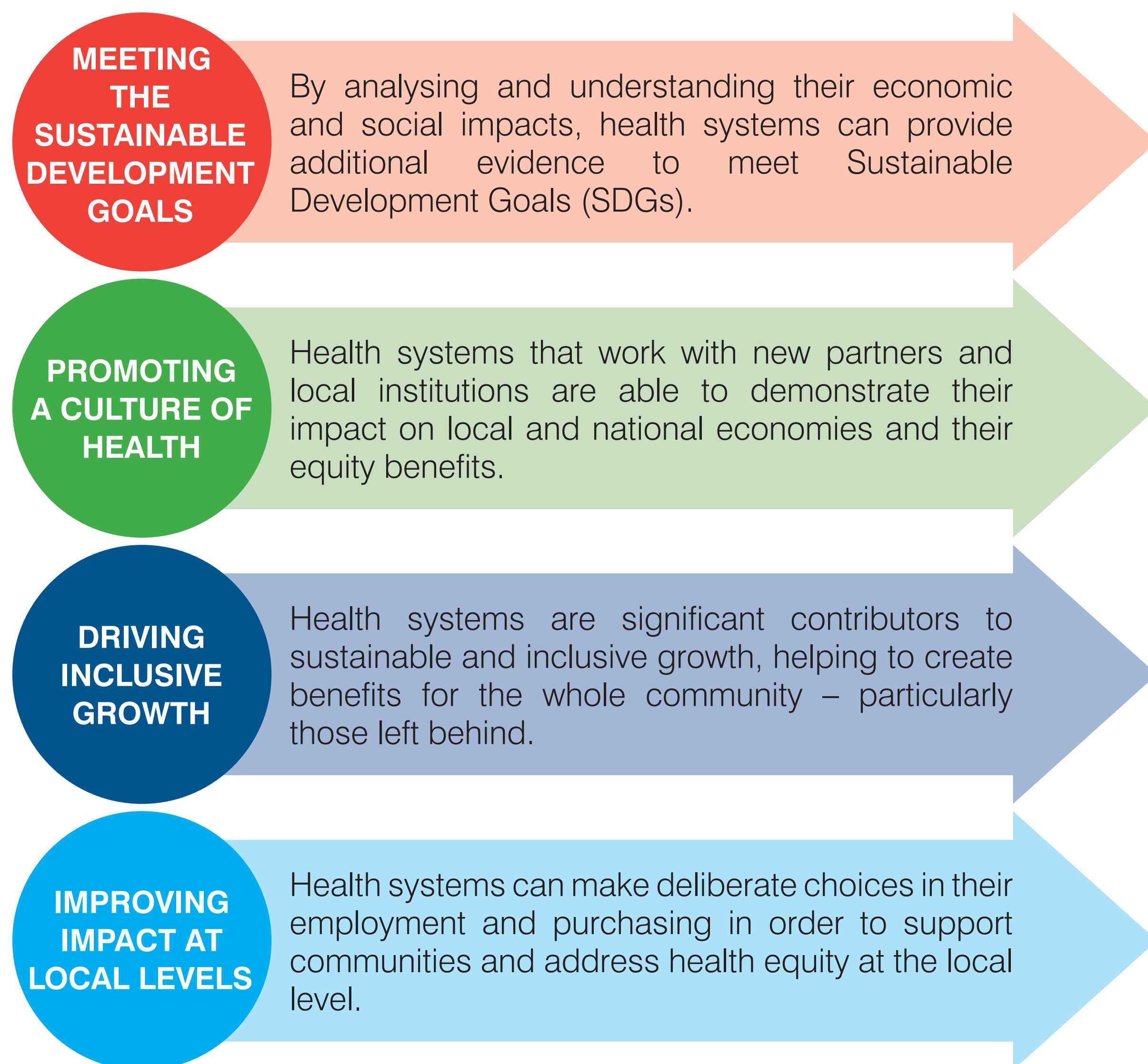
Health expenditures are often a **substantial part of national budgets**; they are usually one of the largest items of general government expenditure, providing a significant opportunity to influence national economies. In 2016, in the 28 countries belonging to the EU since 2007 (EU28), total government expenditure on health was 7% of GDP (ranging from 9% in Norway and Denmark to 3% in Cyprus and 4% in Latvia) *(4)* (in countries with health insurance health expenditure may be even higher as these budgets may be understood/labelled as private health insurance contributions rather than government expenditure).

Health systems have a **net contribution** to economic and social progress, in the way they contribute to sustainable development and equitable economic growth. They achieve this by:

- **increasing employment opportunities** and implementing **inclusive employment policies**;
- **improving the skills base** in regional and local labour markets;
- **targeting investment** in deprived areas, or those with relatively low economic output;
- increasing use of **micro, small and medium-sized enterprises** (MSMEs) when purchasing and procuring;
- contributing to **improving social cohesion** in disadvantaged communities (Fig. 2.1).

Making the case for investing in health systems forms part of the commitments at the core of the **2030 Agenda for Sustainable Development** and the **Tallinn+10 (2018)**, whereby the Tallinn Charter: Health Systems Health and Wealth was revisited and it was concluded that there was a need to "intensify efforts to bring health and finance decision-makers together around shared goals by taking note of public finance objectives and correspondingly demonstrating the economic and social returns of investing in health systems" *(5)*.

Fig. 2.1 The advantages of examining economic and social impacts of health systems



2.2 Health systems' role in community wealth-building

How health systems use and invest their resources has an important impact on the resulting economic, social and human benefits. By utilizing the **resources and assets within communities**, and by taking responsible approaches to employment, job creation and the production of goods and services, health systems can **transform local economies so that they work for everyone**, and not only the few *(3)*.

Development approaches in the 21st century include the idea of improving the well-being of societies through the design of economies that are more inclusive, resilient and sustainable. This is reflected in the rise of development strategies and policies such as community wealth-building (CWB) and the **circular economy**. CWB is a model of development that prioritizes local stakeholders coming together to organize community assets and keep wealth circulating within local communities (see Annex 2). The inclusive approach of the circular

economy shows the links between sustainable growth, good health and decent jobs, along with improving the environment and saving the planet's natural resources *(6)*.

Key to these strategies and approaches is **examining and maximizing the social and economic impacts of public institutions** within the local communities in which they are based (and also institutions that follow common public interests such as civil society organizations). This issue is of increasing interest to policy-makers, civil society organizations and community groups or associations, and those concerned with the development of vibrant, resilient and prosperous villages, cities and regions.

The United States of America has a longer history of implementing such approaches, often clustered under the label **"Anchor Institutions"**. The term was first used to describe the benefits of public institutions on local communities and economies. Anchor Institutions are described as **large, non-profit-making or public organizations with a connection to their local community** that goes beyond their primary role. They are thus anchored to a community, as they are **unlikely to move out of the area**. For example a hospital or university is unlikely to leave an area in tough economic times as they are economically and culturally connected to the place where they are situated. As a result, Anchor Institutions are regarded as **economic stabilizers**, helping to control economic volatility. Anchor Institutions offer "positive social and economic change in the context of increasingly fragile local economies and widening social disparities" *(7)*. These institutions deliberately use their huge resources to **support local community institutions** (Box 2.1). Universities are the most common type of Anchor Institution and numerous studies have analysed their contribution to local and regional economies, as well as their relationship to the local area in which they are based *(8–11)*.

Box 2.1 Measuring the economic and social impact of health systems in the United States

Many hospitals and health systems in the United States have measured their economic and social impact as part of the Anchor Institution movement. For example, the Hospital Council of Northern & Central California estimates the economic impact of hospital spending in the local area generated US$ 19.5 billion and 130 723 jobs (2014–2015). The indirect effect of these health system jobs generated a further US$ 8.7 billion and 60 332 jobs in the area. The employment provided by the health care sector takes the form of high paying jobs, including occupations ranging from low to high wages, and the average pay level for lower-paying jobs is far above the state average *(12)*.

2.3 Methods to quantify the economic and social impact of health systems

"The size and nature of the health system … are likely to have profound direct implications for the performance of the economy as a whole…" (13).

Governments around the world commonly use input/output analyses to plan and measure economic development. These methods are equally relevant to calculate the economic and social impacts of health systems; input/output tables can show how and which industries are connected and affected by health systems. This enables the heath and finance sectors to **quantify the total contribution of health systems to the domestic economy and to evaluate the direct and indirect economic effects of health systems on the national economy** *(14–16)*. The input/output methodology is further explained in the Annex 1.

2.3.1 Piloting the input/output methodology using national data

Piloting the methodology has been important to testing the real-world value and robustness of the input/output method when applied to health systems. Two pilots have been undertaken between April 2017 and September 2018.

1. An in-depth pilot was carried out in Slovenia using data covering a 10-year period to adapt the methodology and to assess reliability and impact over time. This analysis assessed the economic impact and stability of the health sector within the Slovenian economy over 10 years, based on an analysis of input/output tables for 2009, 2010 and 2014 in 49 economic sectors *(17)*.
2. The tested methods were then used to carry out an analysis of the economic and social impacts of health systems in 19 European countries, analysing changes in demand and investment in the health sector and how this affected other sectors in the economy. 19 EU countries were chosen based on the comparable data available (see Annex 1), and this analysis is based on input/output tables from the year 2010 in 62 economic sectors.

2.3.2 Results

The pilots demonstrated robust evidence that, on average, **the health care sector is not, as commonly portrayed, an expensive cost, but is an important economic engine, which contributes to the economic growth of a country and creates many high-quality jobs**. The economic impact of the health sector was found to be very significant in all 19 countries, with positive effects on national economies seen when spending on the health sectors' products and services rose, especially when compared to the effects of similar changes in other sectors. The following series of illustrations (Boxes 2.2, 2.3 and 2.4) shows the unforeseen and substantial economic and social impacts and benefits highlighted by pilot studies.

Box 2.2 Impact on economic growth

The input/output analysis in 19 countries found that the health sector played a very important role in national economies. On average (for all analysed countries) one additional euro spent on products and services (output) in the health care sector would result (when accounting for direct and indirect effects) in:

- €1.4 of greater output in the national economy;
- €2.7 of greater output in the national economy, including induced effects (see Annex 2).

Further key findings related to economic growth included the following.

- **If health expenditure were to increase by €1, the average household income would rise by €0.7** (measured as direct, indirect and induced effects).
- Of the 62 sectors analysed, the health sector has the **tenth highest impact on household income**; only nine other sectors have a higher impact.

These findings confirm previous research, which estimates that in the WHO European Region, each dollar spent in the health sector results in an additional US$ 0.77 contribution to economic growth as a result of indirect and induced benefits *(3)*.

Box 2.3 Impact on the economic performance of other sectors

In addition to the thousands of jobs directly created by health systems, they also **create thousands of jobs outside of the health system**.

- On average, for every additional €100 000 spent on the health system, four new jobs are created in the rest of the economy. In some countries this multiplier is substantially higher; for example, in Bulgaria, 10 jobs are created for every €100 000 spent in the health sector.
- On average one new job created in the health care sector will result in the total employment (in the whole national economy) growing by 1.3 (direct and indirect effects) or 1.7 (when induced effects are included).
- In the vast majority of the countries analysed, **the employment multipliers for the health sector were found to be higher than the average across all sectors (62) of the economy**.

Importantly, jobs in the health care sector are of high socioeconomic quality throughout the 19 countries analysed (see section 3.1).

Box 2.4 Impact on economic stability

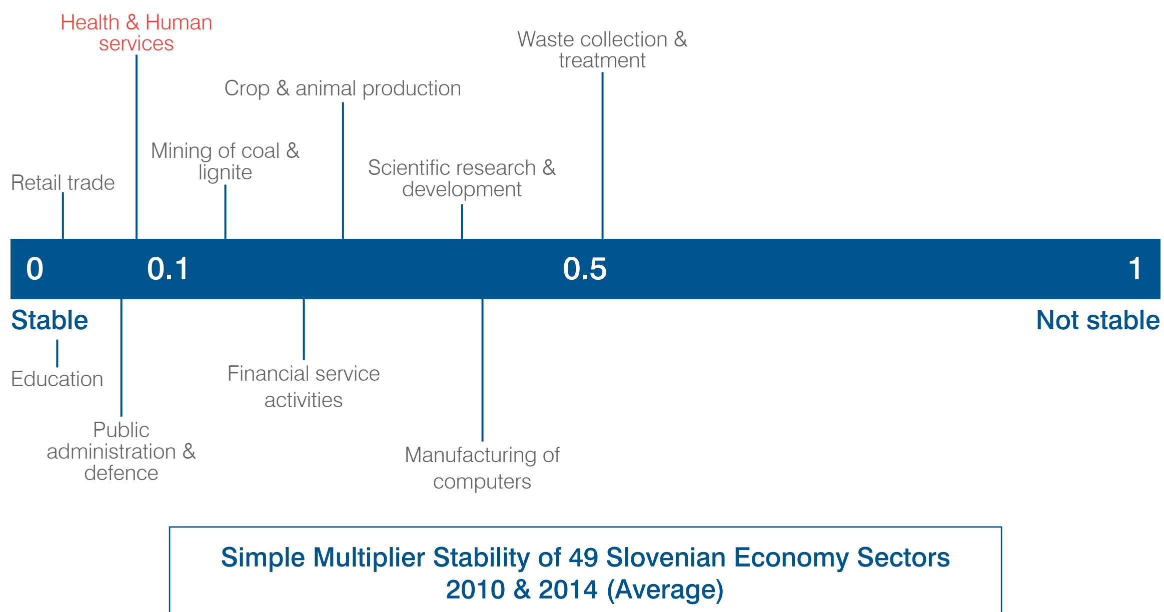
The input/output analyses showed that the health sector is resilient to typical economic cycles; they are important stabilizers during times of recession, when communities are put under stress *(18)*. The domestic health sector appears to reduce volatilities in production, income and employment, as well as acting as an important shock absorber in the economy during difficult economic periods.

The input/output analysis of Slovenia compared the stability of 49 different industries within the country and found the health sector was among the most stable industries through periods of economic recession and growth. A total of 49 sectors within the Slovenian economy were compared, with three years (2009, 2010, and 2014) analysed over a 10-year period to test the stability of each sector through drastic economic cycles, including years of deep crisis and growth. The microeconomic analysis found that:

- the health sector is among the most stable in the Slovenian economy, showing consistency in all aspects: employment, income, added-value, output and imports (Fig. 2.2);
- the health sector is one of the best employers for communities which tend to feel the impact of drastic economic changes the most. It is also a stable investment for economic growth, as it is a secure sector, with steady margins of return that are persistent over time. (See the Annex in Chapter 6 for methodological details.)

These findings confirm research highlighting that employment in the health and care sector tends to be less sensitive to cyclical fluctuations (such as economic recession) than employment in other sectors of the economy *(19)*.

Fig. 2.2 The stability of health and social services sector in Slovenia



Simple Multiplier Stability of 49 Slovenian Economy Sectors 2010 & 2014 (Average)

* number is average of all 5 simple multipliers' stability values.
**Other industries are not portrayed to actual value, they serve only as visual aids.

3. Approaches and tools to increase and measure social and economic benefits of health systems

Health systems can utilize their spending and investment approaches to generate important social and economic benefits at both national and local levels. Substantial benefits to local outcomes can be achieved by adapting health systems' approaches to employment and adjusting methods of purchasing goods and services to use shorter employment and procurement chains.

Health systems can stimulate local demand for goods and services, increase inward investment, and retain human capital, money and jobs in the villages, cities and regions in which they are located. This has direct and indirect benefits, measured by improved indicators of economic and social well-being and sustainability.

3.1 Benefits achieved through employment

Health systems are important components of every economy and a major source of employment *(13)*. The size of the health and care workforce in most countries is significant and growing. According to the International Labour Organization (ILO). In 2017 in northern, southern and western Europe, employment in health and social work accounted for over 12% of all jobs and between 2000 and 2017 this type of employment increased from 7.4% to 9.0% of total employment in Europe and central Asia *(20).* This demand for health workers is expected to increase in the WHO European Region; approximately 40 million new health worker jobs will be created by 2030, particularly in high- and middle-income countries *(3)*.

3.1.1 Social and economic benefits of employment

Too often the workforces of health systems are regarded as a cost, and employment budgets are not regarded as an investment in local communities *(3)*. However, **multiple economic and social benefits of employment are created by health systems**. In areas in which health systems are among or indeed are the largest employers of local residents, **jobs in the health sector influence local communities** by:

- **increasing local wealth**, as staff who live locally also spend locally, which has a positive impact on economic and social resilience in the long term;
- **reducing carbon emissions**, as people travel less far to work.

Further benefits exist, such as **subsequent impacts in housing, nutrition, social cohesion and the environment**, as a result of health employees living (and spending) locally (Fig. 3.1).

Fig. 3.1 Economic and social impacts and benefits of employment within health systems

By hiring local people, health systems can **support jobs, keeping people in employment** – an important social determinant of health. In addition to providing **many** jobs, health systems are leaders in providing **good** jobs. The availability of good jobs lies at the heart of inclusive, sustainable growth, and eliminating poverty. Good working conditions provide:

- decent pay, ensuring at least a minimum or living wage;
- employee benefits, such as maternity and paternity leave, and ensuring part- and full-time workers receive similar benefits;
- minimal use of temporary contracts;
- safe working conditions;
- security and the ability to participate in collective bargaining;
- opportunities for progression and career development.

In the WHO European Region health sectors are **leaders in ensuring good working conditions. Many women** are employed, in high-quality jobs, and there are **more female bosses** in the health sector compared to most other sectors *(21)*. Health sectors also have one of the **highest proportions of older workers**; at least 30% of workers in the health sector are aged 50 years or older. Jobs in the health sector provide **good opportunities for training**; over 50% of workers received employer-paid training in 2014 *(21)*.

By providing good jobs, health systems make significant contributions to improving working conditions in communities, making them more equitable and inclusive. For example, health systems improve various aspects of inequity, as explained below.

- **Working conditions for parents** are improved by providing childcare services.
- **Gender equity** is enhanced by increasing local employment opportunities and security for women. Jobs in the health and social care sectors tend to be inclusive of women; an analysis of 123 countries found that women made up 67% of employment in the health and social care sectors, compared with 41% of total employment *(3)*. In addition, more than half (55%) of bosses in the 'human health activities' sector are female, higher than in other sectors *(21)*.
- **Geographic inequities are improved by health sectors**, as health and social care services are important sources of jobs in rural and remote locations, unlike many other sectors, in which work opportunities are concentrated in large cities and commercial centres *(3)*.
- **Equity is improved in other areas of employment**, such as increasing opportunities for groups who traditionally have more challenges securing full-time employment positions (e.g. people with disabilities or minority groups). Among the highest proportions of older workers can be found in human health activities, and at least 30% of workers are aged 50 years or older *(21)*.
- **Quality is impacted**. While there is no single measure of job quality, researchers use common elements to understand it: skill level, skills use, task variety, autonomy, control, pace of work, contractual status, work environment and training opportunities *(22)*. Research analysing employment in Europe found that jobs in health have a high level of task rotation (64%) *(21)*.
- Health systems also improve equity in terms of **progression and training**. Compared to other sectors, health systems provide ample education and training opportunities, as well as maintaining and improving the skills of their workforce. In the EU28, 13% of workers reported needing further training in order to manage their current duties; this increased to 20% in human health. Over 50% of workers in human health reported receiving employer-paid training *(21)*. The number of years spent in education, and skills acquired, have a significant impact on health and well-being, contributing to creating resilient individuals and communities. People with more years in education live healthier lives, are able to afford a good quality of life, and are more likely to live and work in safer and healthier environments *(23)*.

3.1.2 Self-assessment tool to adapt employment practices for better social and economic benefits

This self-assessment tool is designed to enable users to conduct social and economic assessments of employment practices in health systems. It is intended to be used by a wide variety of professionals at both national and local levels including health system managers and human resource professionals, public health leaders and civil society groups working on employment (Table 3.1).

Table 3.1 Self-assessment tool to enable improved recruitment and employment processes

<table>
<tr><td rowspan="6">1. The first step is to understand who you employ and your employment practices.</td><td>• Can you answer the question: how many of the health systems' employees live within 5 miles (or a relevant local distance)?</td></tr>
<tr><td>• What is the percentage of the local health system workforce by gender, age, ethnicity, education status and people with disabilities?
— By investing in employing these groups in society, the health system contributes to economic and social inclusion, and improves community resilience.</td></tr>
<tr><td>• What percentage of health systems staff are on precarious or temporary contracts?
• Is there a gender difference among employees that are offered permanent or temporary contracts (what percentage of each)?
• Are the people earning less more likely to be on temporary contracts?
— Long-term jobs make people more economically and socially resilient, especially in crisis situations.</td></tr>
<tr><td>• What is the average wage paid by health systems compared to the average wage in the local area?
— Good wages reduce poverty and income inequalities, as well as related avoidable health care costs. People with low incomes have worse health and well-being, along with lower life expectancy.</td></tr>
<tr><td>• Do all your employees (full and part time) receive benefits (e.g. maternity and paternity)?
• Are the people earning less also less likely to receive employee benefits?
— "Living wage" programmes should be implemented, both for employees that are hired directly and those that are outsourced.
— Safe working conditions should be guaranteed.</td></tr>
<tr><td>• What is your childcare provision?
• Do you provide care to different age groups, and what is the duration of services/places offered?
— The provision of childcare services allows women to re-enter employment. The number of childcare facilities available and for which age groups, as well as costs and duration of services significantly impact the ability of women to return to work on both a full-time and part-time basis.
— The distance between childcare facilities and the workplace may also benefit women, allowing flexibility in the work process. Increased female employment has benefits for the well-being of children, including in terms of health, nutrition, cognitive development, education, and so on. This holds true in particular for single mothers.</td></tr>
<tr><td rowspan="2">2. The next step is to plan future recruitment.</td><td>• What percentage of new jobs is filled by the local population?
— Local recruitment helps to strengthen the local economy (direct effect), which in turn supports social integration and community cohesion (indirect). Local recruitment decreases carbon emissions, as people do not have to drive far in order to earn a living (indirect effect). This has a positive impact, in terms of healthy environment benefits.
— Supporting local employment in local public services also ensures that the community being served is reflected by those serving them. This improves measures of community cohesion and cultural competency as well as keeping the local public service investment of resource circulating in the community.</td></tr>
<tr><td>• What actions do you take to enable local young people to get local health system jobs?
— Develop formal relationships with local schools and colleges where students who wish to work within local health systems can be mentored by existing staff in those occupational groups.
— Consider learning placements and/or work experience, to enable students to spend time in different settings to provide insight into the different occupations and professions that exist in health systems.</td></tr>
<tr><td colspan="2">3. The final step involves monitoring employment processes and sharing the impact and benefits of health systems with local communities.</td></tr>
</table>

3.1.3 Country examples and cases – employment

UNISON is one of the largest trade unions in the United Kingdom, with 1.3 million members. Since the early 2000s, UNISON in Northern Ireland has initiated a series of unique collaborative partnerships with health employers to improve the skills of those working in health and social care.

The **West Belfast and Greater Shankill Health Employment Partnership** targeted long-term unemployment by encouraging economically inactive people to gain skills and employment at the local hospital, and provided training and opportunities for lower-paid hospital workers to progress their careers. The project was supported by funding from the Northern Ireland Department of Health.

Key outcomes include:

- 143 long-term unemployed people returned to work, securing permanent jobs with the Belfast Trust, with a retention rate of over 95%.
- 316 lower-paid staff received additional training to help them develop their careers, and a high number of them obtained a promotion in the first year.
- Domestic workers and catering assistants progressed to supervisor roles, health records assistants, and cooks.
- An estimated saving of £385 000 each year was achieved on benefits such as the Jobseeker's Allowance, Income Support, and Incapacity Benefit.
- Up to £1.48 million of added economic impact was achieved each year on the local economy in West Belfast and Greater Shankill.

Northern Ireland is also leading innovation in terms of government ministries working together to demonstrate the impact of health systems on the economy. Six years ago the departments of health and economy in Northern Ireland worked together and concluded the amount spent each year on the delivery of health and social care should be designated as an annual investment and considered as an engine for economic growth. Since then practical collaboration between the two departments has become imbedded in day to day practice including creating a multistakeholder group with members from government, research institutes and industry.

3.1.4 Enabling European frameworks and strategies

Good work, job creation, and benefits and rights at work are central to many of the **SDGs** and the 2030 Agenda for Sustainable Development. The SDGs include **targets for employment** under many goals, primarily SDG 8 (Decent work and economic growth), and SDG 10 (Reduced inequalities).

- **8.3** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of MSMEs, including through access to financial services.
  - (Indicator) **8.3.1** Proportion of informal employment in non-agriculture employment, by sex.
- **8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

- **8.6** By 2020, substantially reduce the proportion of youth not in employment, education or training (NEET).
- **10.1** By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average.
- **10.2** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

3.2 Benefits achieved through purchasing and procurement

The vast purchasing budgets of public institutions are an opportunity to build sustainable local economies and communities. In the EU, public procurement accounts for 14% of GDP and 29% of government spending *(24)*. This amounts to more than €1.9 trillion *(25)*. Health systems have large procurement budgets and as a result are highly powerful and influential purchasers of goods and services.

Not all goods and services can be produced locally and efficiencies can be gained when health systems bulk purchase at the national level. However, outsourcing all goods and services to distant external providers can contribute to creating inequalities in income, as the benefits of large public budgets are felt far away and not in local communities where the services and products are offered. **Shifting a small percentage of purchasing budgets to local suppliers could have a substantial effect on local communities**.

Purchasing is often seen as separate from regional economic plans and political decisions, regarded as a cost and not an opportunity for economic growth. The typical procurement approach is to reduce immediate costs, placing "value for money" as the main objective.

- Fifty-five per cent of public procurement procedures still use the lowest price as the only award criterion.
- In 2014 the EU introduced new rules to ensure public funding is spent efficiently and effectively, as well as "to ensure greater inclusion of common societal goals in the procurement process".
- In 2018 the EU stated contracting authorities can and should apply "other criteria than the lowest price or cost effectiveness only, including qualitative, environmental and/or social aspects" *(26)*.

3.2.1 Social and economic benefits of purchasing and procurement

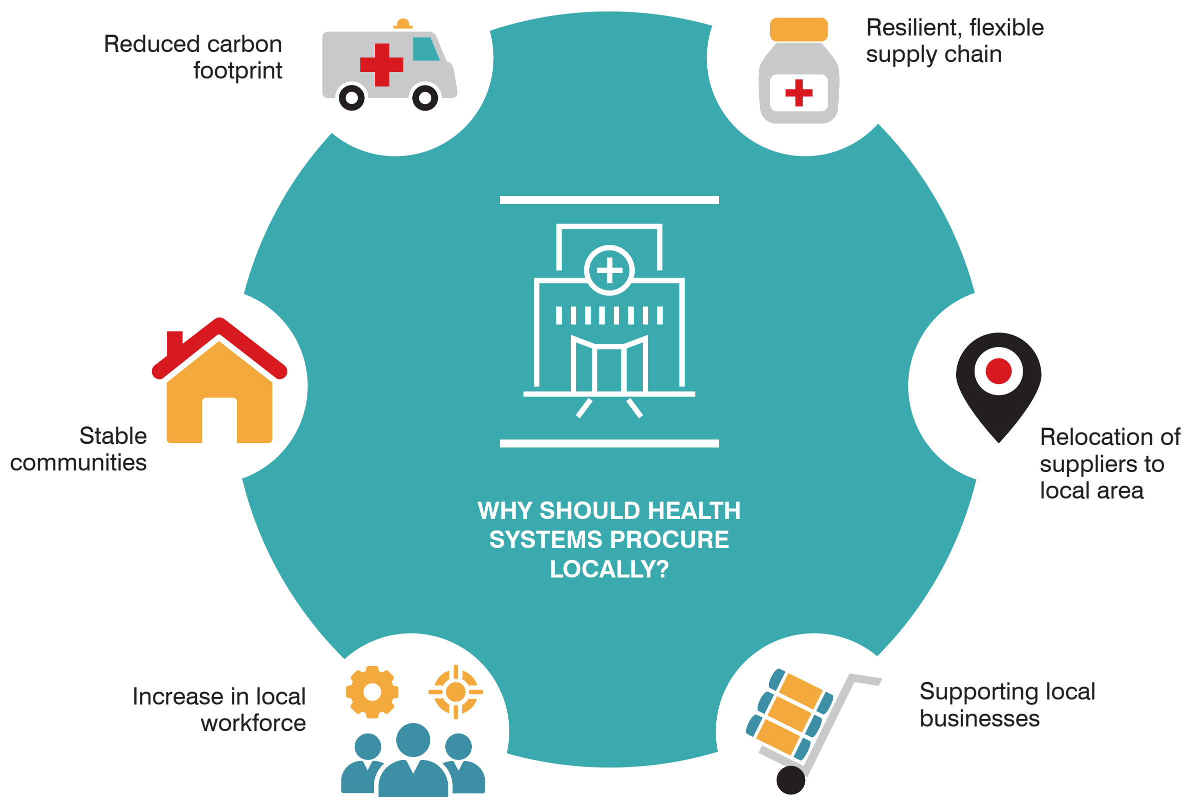
Since the late 2000s more countries have recognized the significant potential role of purchasing and procurement in achieving social and environmental benefits. No longer is procurement only to be seen as a necessary bureaucratic process; WHO, the World Bank and the EU all advocate strategic purchasing to have a significant role in creating successful and sustainable economies and communities *(27,28)*, stating:

- strategic social purchasing [SSP] can improve equity, quality and efficiency *(29)*;

- “[S]upply chains contribute to economic growth, job creation, poverty reduction, entrepreneurship and to workers’ transition from the informal to the formal economy” *(30)*;
- “[E]fficient public procurement is crucial for solving many of the key policy challenges that the EU is facing. This includes growth and jobs, fiscal discipline, modernizing public administration, the fight against corruption and collusion, market access for SMEs, citizens’ trust in public authorities and democracy, as well as innovation and environmentally and socially sustainable growth” *(25)*.

Improving local wealth through more effective purchasing contributes to healthier and stronger communities (Fig. 3.2).

Fig. 3.2 The impacts and benefits of SSP in the health sector



Many areas have experienced quicker gains when purchasing services locally, compared to purchasing only goods.

SSP seeks to shift to buying goods and services from local business, social enterprises or MSMEs, in order to better support local communities. In the majority of European cities the greatest proportion of businesses are SMEs. However, MSMEs are underrepresented in the delivery of public procurement and without SSP, procurement processes continue to prioritize cost savings and not the wider values which benefit the community and locality *(31)*.

SSP aims to have a long-term impact on local and regional economies, as local businesses employ local people, keeping wealth circulating in the local area. It is a powerful tool to

connect economic growth to the alleviation of poverty and to encourage inclusive economic growth.

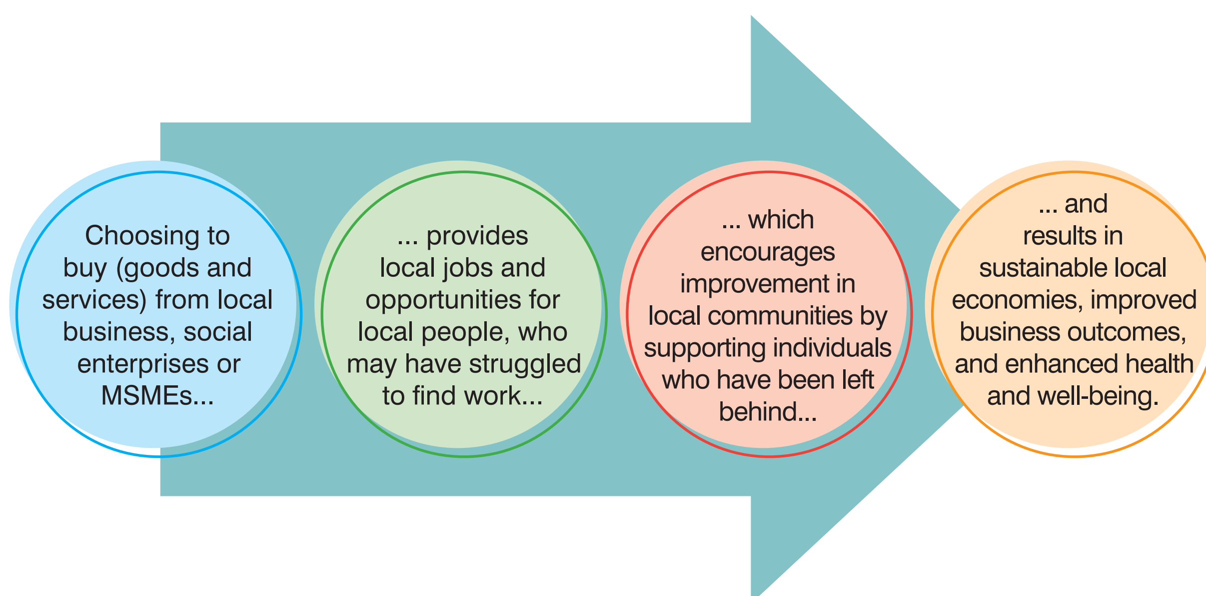
SSP defines the service mix and volume, and then selects the provider mix to maximize societal objectives *(27,32)*. In doing so, it:

- shifts procurement from a clerical activity to a strategic tool for inclusive and sustainable growth;
- uses procurement budgets to improve local societies, health and well-being;
- questions practices related to procurement, taking into consideration the medium- and long-term effects of purchasing;
- incorporates the needs and priorities of citizens in the distribution of health care;
- promotes inclusive development, equity, quality of care and efficiency.

SSP by health systems at regional and local levels is a powerful mechanism, capable of:

- supporting, enabling and strengthening local businesses
- fostering growth
- increasing local employment
- improving the skills base in the local job market (Fig. 3.3).

Fig. 3.3 Using SSP to promote inclusive economic growth and improve local communities



3.2.2 Self-assessment tool to adapt purchasing practices for better social and economic benefits

This self-assessment tool is designed to enable users to conduct social and economic assessments of purchasing and procurement practices in health systems. It is intended to be used by a wide variety of professionals at both national and local levels including health

system managers and procurement officers, public health leaders and civil society groups working on MSMEs, cooperatives and unions (Table 3.2).

Table 3.2 Self-assessment tool to enable improved purchasing processes

<table>
<tr><td rowspan="2">1. The first step in shifting to SSP is to understand current purchasing practices in your organization.</td><td>• What percentage of your purchasing / procurement budget is spent on local businesses or stays within the local region?
— Shifting small amounts of purchasing to local suppliers is a good way to begin; reallocating just 5–10% of the purchasing budget to local goods and services can bring millions into local economies.
— The aim is to use short supply chains to ensure sustainable and equitable procurement practices.</td></tr>
<tr><td>• How many suppliers are local?
• How many (local) people do they employ?
— Procurement providers should be examined, and where suppliers are from, as well as their number among the local community.</td></tr>
<tr><td rowspan="6">2. The next step is to take actions to shift purchasing processes.</td><td>• Who is responsible for identifying goods or services that are easier to procure from local businesses?
• Can you target these contracts?
• Can you simplify purchasing procedures and encourage local businesses to apply for tenders?
— Goals should be established for redirecting spending locally, adapting procurement processes and developing capacity within local supply chains.</td></tr>
<tr><td>• What actions have you taken to increase awareness of purchasing opportunities in the local economy?
— This is key step in the process – many MSMEs will not have the knowledge to successfully apply for procurement contracts).</td></tr>
<tr><td>• Have you identified conditions to embed within purchasing contracts and frameworks?
— For example, clauses to support a minimum/living wage, or use of apprenticeships, good working conditions, number or percentage of jobs offered to unemployed people or youth or the number of apprenticeships created.</td></tr>
<tr><td>• Can you require a percentage of tenders to be allocated to local suppliers, MSMEs and women-owned businesses (taking into account specific targets, such as increasing the value of local spend by 5% in one year)?
• Can you require the inclusion of small and medium-size enterprises in all tenders?</td></tr>
<tr><td>• Can you create proactive policies and purchasing systems which consider social and sustainability factors, as well as costs?
• Have you defined key terms such as “local”, “social criteria”, “women-owned”, and “MSME”?
— Avoid vague, all-encompassing/broad definitions, e.g. “paying minimum wage”, “including apprentices” or “hiring unemployed people”.
• Have you included criteria that will benefit local economies, business and residents at the commissioning stage, not afterwards?
— This involves weighting social criteria fairly when awarding purchasing contracts.
• Can you require subcontractors to adhere to same requirements as contractors?</td></tr>
<tr><td>• Are procurement staff trained to be aware of changes to procurement processes?
— Have you identified issues to address within strategic purchasing (e.g. unemployment, training and skills)?</td></tr>
<tr><td colspan="2">3. The final step involves monitoring SSP processes and sharing the impact of SSP on health systems with local communities.</td></tr>
</table>

3.2.3 Country examples and cases – purchasing and procurement

There are many examples from across Europe of countries that have adapted purchasing and procurement policies and practices, which have resulted in substantial impacts on their local economies and communities.

- SSP has a long history in the **Netherlands**. The region of Utrecht is working closely with partners in the region as well as with the national government, to strengthen its position as a leading health city. Utrecht is using social procurement in their goal to have the lowest unemployment rate in the Netherlands. In 2012, Utrecht added a social return clause to all public tenders and officials spent time with suppliers to explain the policy and address their concerns *(33)*. Contracts with a value above €100 000 require contractors to spend 5% of the contract value on activities with a social added value. Contractors can fulfil this clause in several different ways, such as:
  - creating jobs for people who are further removed from the labour market, matching vacancies with specific target groups (for example, long-term unemployed people or marginalized groups – the longer a person is without a job, the higher the value they represent for the contractor);
  - providing training or education possibilities, e.g. training and educating job-seekers and/or students;
  - buying goods or services from a social enterprise.
- In **Preston**, England (United Kingdom), the City Council increased local procurement by 13% over four years, translating into **£4 million more spent in the local community**.
- In **Manchester**, England, the local government increased its local procurement, and embedded social values into its procurement process.
  - As a result, they increased local spending from 50% to 71%, and in 2016–2017 £320m was procured in goods and services from Manchester-based businesses.
  - In addition, an estimated 68 862 hours were spent on volunteering and community sector support activities; 705 apprenticeships were created; an estimated 1 160 additional jobs were created in Manchester, and of these, 423 employment opportunities were for "hard to reach" individuals *(34)*.
- **Barcelona City Council**, Spain, substantially diversified their providers, after introducing social and employment criteria in procurement. This was achieved in one year, using 250 new providers and avoiding accumulating contracts with large national or multinational providers *(35)*.
  - They achieved this by expecting contractors to comply with specific requirements on gender equality, fair working conditions, fair-trade consumption and energy efficiency.
  - In addition, they rewarded companies that focused on people, were governed by democratic criteria, reinvested profits and opted for the creation and maintenance of stable, high-quality jobs, offering opportunities to groups at risk of exclusion *(36)*.
- In **Wales**, all National Health Service (NHS) projects financed through Welsh Government capital grants are required to apply community benefits to **all** procurement, irrespective of value. The Community Benefits Measurement Tool captures the full range of community benefits outcomes, including jobs, educational support initiatives, and training, as well as providing a consistent way of measuring such benefits (Table 3.3).

- In **Treviso**, Italy, the financial structure for the new hospital is intended to serve as an example for other sustainable, public infrastructure projects. The tender to renew and upgrade the hospital took the form of a 21-year public–private partnership contract for a €250m 1000-bed hospital. Owing to savings derived from financing from the European Investment Bank (EIB), funds will be re-invested back into the local community in Treviso. All of the EIB savings will be invested in a new social impact mechanism named Ospedal Grando Impact Investing, created to invest in social entrepreneurial initiatives involved in the public health field in the Treviso area and the wider Veneto Region.
    - It is the first EIB-funded project with an **explicit commitment to use the financial benefits derived from EIB funding for social impact investment**. The aim is to initiate a virtuous cycle of further investments in the social impact mechanism, which in turn will trigger better services for the community and a greater commitment from community stakeholders. It is hoped this model will transform future models for financing social infrastructure, by re-aligning public and private interests *(37)*.

3.2.4 Enabling European frameworks and strategies

The SDGs regard sustainable procurement as part of the effort to end poverty, reduce inequalities, and to combat climate change (see Box 3.1). The **SDGs include targets for procurement** under SDG 12 (Ensure sustainable consumption and production patterns).

- **12.1** Implement the 10-year framework of programmes on sustainable consumption and production, all countries taking action, with developed countries taking the lead, taking into account the development and capabilities of developing countries.
- **12.7** Promote public procurement practices that are sustainable in accordance with national policies and priorities.
    - (Indicator) **12.7.1** Number of countries implementing sustainable public procurement and action plans.

Box 3.1 EU Action Plan for the Circular Economy

The concept of SSP reflects the goals of the **EU Action Plan for the Circular Economy**. The circular economy bases decisions on whole-life costs, with the aim of creating long-lasting products, materials and resources and minimizing the effects of the so-called generation of waste. It is also regarded as an opportunity to create a more sustainable and competitive economy *(38)*.

As health systems have huge facilities and land holdings, they directly contribute to environmental outcomes in local communities and contribute to greenhouse gas emissions. For example, in the United Kingdom the NHS contributes 3–4% to the country's total national greenhouse gas emissions *(39)*.

Transitioning to a circular economy (e.g. shifting to more environmentally friendly energy sources, implementing sustainable waste management, and so on) is also an opportunity to improve health and well-being and contribute to achieving the SDGs *(6)*.

Table 3.3 Community benefits and procurement in Wales

Community benefit	Metric	Example	Measure definition	Consequence of non-delivery
Jobs created (NEET/long-term unemployed)	Person weeks per £m invested	As per definition of person and weeks	Person weeks per £m invested	£463.61 per week
Training (including graduates, work placements, pupil placements)	Person weeks of training provided per £m invested (included in the overall person weeks per £m)	Welsh graduate engineer sponsored; Welsh year out student; Work experience	Person weeks of training provided, £m invested	£349.28 per week
Apprenticeships	Number of apprentices per £m invested (included in the overall person weeks per £m)	Relating the number of weeks for individuals who have been employed; Promote use shared apprentice schemes	Number of apprentices per £m invested	£207.20 per week
Labour force	Percentage of workforce from defined postcode	Use postcode of the project and measure visits	Percentage of workforce from defined postcode area	Zero consequences
Supply chain initiatives	Percentage spend in Wales per project	Value of contract and location of supplier. e.g. CBME electrical contractor Cardiff postcode £100,000 contract value expressed as percentage	Percentage spend in Wales per project	Zero consequences
Supply chain initiatives	Percentage of Welsh subcontractors per project	Total number of contractors used with Welsh postcode, expressed as percentage	Percentage of Welsh subcontractors per project.	Zero consequences
Environmental	Percentage of waste diverted from landfill	Measured from waste transfer advice note	–	Zero consequences
Community	Community initiatives per project	Work with local Scout group to repaint hall	Minimum of 2 initiatives per project	£1000 per event
Community	Community newsletters per project	Letter sent out to local residents	Minimum of 2 newsletters per project	£500 per newsletter

3.3 Benefits achieved through local partnerships with communities

Many stakeholders influence health outcomes, for example through differential access to health care and uptake of services, which can in turn lead to widening health inequities. **Health systems** have a pivotal role to play in population health, as they directly and indirectly impact life expectancy and quality of life *(38)*. By **strengthening existing partnerships** and working with new partners, health systems can maximize their benefits at the community level. Many stakeholders influence health outcomes, for example through differential access to health care and uptake of services, which can in turn lead to widening health inequities. Health systems have a pivotal role to play in population health, as they directly and indirectly impact life expectancy and quality of life *(40)*.

For health systems to influence local economies, they need to create partnerships with a wider range of sectors and organizations. Health systems can work with partners/sectors such as:

- government departments and ministries (in finance, commerce, business, and development sectors);
- education (primary, secondary and higher education);
- businesses (private and social enterprises);
- civil society organizations/the third sector, and local communities.

In multisectoral partnerships, health systems have an important stewardship role, acting as innovators and providing evidence on the high return rates of the economic and social benefits.

3.3.1 Tools to work with new partners

Social prescribing is a tool to improve social and economic well-being in the community. Sometimes called "community referral", it involves health care professionals referring individuals to a range of local, non-clinical services – often provided by the community or voluntary sector. Social prescribing shifts the way health and social care systems work with each other and helps individuals to take more control of their own health – as well as easing pressure on health services *(41)*.

Social prescribing schemes involve a variety of activities addressing the determinants of health. Such activities include:

- healthy eating and weight management advice
- sports and exercise classes
- financial advice and help navigating social protection systems
- befriending schemes, targeting loneliness
- local opportunities for arts and creative activities.

3.3.2 Country examples and cases – partnerships and communities

Sports clubs occupy a **unique position**, in that they can they can often reach those who might not necessarily access more traditional health services; as such, they have an **important equity dimension. Cardiff City Football Club Community Foundation (CCFCCF)** is the official charity of Cardiff City Football Club, and part of the wider network of football charities in the United Kingdom.

With over 43 ongoing projects, the reach of the **CCFCCF** is vast, and their main goal is to support children, young people and families to achieve their full potential. They use the lure of the football club brand to reach those who might not necessarily approach traditional public services, and as such they are often able to reach those who are left behind by other approaches.

Saskatchewan, a province in Western Canada, brought together a multisectoral group involving **36 different stakeholders**. This large partnership tackles various local issues; in particular, the health and social risks of young people. They are working with less traditional health partners, such as the police and fire departments, as well as with sports organizations. In rural Canada, there are ice hockey rinks in most communities, and some health authorities are using facilities in such arenas to develop wellness programmes.

3.4 Assessing economic and social impacts of health systems

The first step for health systems is to understand the **powerful economic and social role** they play in the community in which they are based. Health systems can demonstrate their local value and contributions to local economies by identifying leaders to take on this work and better explaining what they are doing to benefit their local community (Table 3.4).

Table 3.4 Self-assessment tool of the social impacts of health systems: questions for leaders and managers

Questions every local health system leader should be able to answer immediately	• What do you spend on salaries? • What percentage is spent on people who live locally? • What do you spend on goods and services? • What percentage is spent on local businesses?
Questions on partnerships	• Who makes local economic plans/defines strategy? Are they aware of the importance of health system actors? — Identify local, regional and national development leaders and understand strategic economic plans in place for your area. — The missions of health systems should be aligned with local and regional development goals and plans. — Health systems should be considered in financial plans and decision-making. — Dialogue and relationships should be strengthened between the health and finance sectors exploring the financial contribution of health systems to national and local economies. — Organizations and institutions that have similar aims (e.g. seeing local areas thrive economically and socially) should be targeted for partnerships.
Identifying a leader	• Who will lead this change of direction? — Employment and purchasing practices are usually carried out by human resources and finance departments. — These strategies need leadership from the top, and implementation throughout the organization. — Such action requires changing strategic direction, and including staff, local economic partners and local communities in the process.

Box 3.2 Bring the public along

It is not always obvious to local populations and policy-makers that health systems have significant economic and social impacts. Instead the assumption is that the private sector is the only contributor to local economies and development.

When local communities and leaders understand the economic impact of health systems, they can better position themselves at the centre of future economic development plans. Ensuring the community is involved at every stage of the development process, with aligned goals, is an important part of understanding the economic and social impacts and benefits of health systems.

3.5 Case studies

The evidence shows that health systems have powerful economic and social impacts and benefits for local and national communities. They create decent work, can improve gender equity and provide opportunities for specific groups, such as young people. Two case studies are presented in the subsections that follow, from Lancashire and South Cumbria (England) and Pomurje (Slovenia), which measured the economic and social impacts and benefits of employment resulting from health systems.

3.5.1 Lancashire and South Cumbria, England

- The health and social care sector is the single biggest contributor to economic growth and employment in Lancashire and South Cumbria. This has a major impact on local business spending and induced spending across the economy.
- This sector employs more Lancashire residents than any other sector, accounting for 16% of all jobs in the county and providing work for almost 100 000 people.
- More than half (55.3%) of the 3900 Lancashire health and social care businesses employ nine or fewer people.
- The hospital sector also claims the largest absolute increase in employment, from 34 300 jobs in 2010 to 40 100 in 2013 in Lancashire (a 16.9% increase).
- The Lancashire health and social care workforce is older, more likely to work part time, and more likely to be female.
- Employees in this sector are highly educated; 44% have a certificate of higher education or a higher apprenticeship, or university degree-level education (Lancashire all-sector average: 30%).
- A total of 33% of employees have qualifications to general secondary education level (Lancashire all-sector average: 44%).
- Four per cent of health and social care staff have undertaken an apprenticeship (Lancashire all-sector average: 9%).
- Employment in Lancashire's health and social care sector will grow by 1900 jobs (1.7%) in the period 2014–2024.

3.5.2 Pomurje, Slovenia

- Pomurje is one of the most deprived regions in Slovenia, with the highest unemployment rate (15.8%) in 2018. Almost 50% of all unemployed people in the region are long-term unemployed.
- A total of 8.3% of the economically active population work in health care (approximately 3000 people). Of all regions in Slovenia, Pomurje employs the highest percentage of people in health, making the health sector an important economic actor in the region.
- Only one sector (industry) employs more people in Pomurje. The health sector employs the same number of people as the agricultural sector, commerce, and the construction sector.
- Over 70% of health sector employees are women.
- Employees in this sector are highly educated; over a third have achieved further or higher education (42%); 37% have secondary-level education and 21% have received primary-level or an unknown level of education.
- In 2015 only 3.6% of the long-term unemployed population of Pomurje named their last employer as being within the health and/or social care sector, suggesting the sector succeeds in maintaining its workforce.

In both regions the health sector is a key economic actor; either the largest or one of the largest employers, employing significant numbers of women, and providing work for employees who are highly educated.

This methodology – analysing the economic and social impacts and benefits of health systems – is a powerful tool for decision-making, highlighting the important role health systems have in a country's economy.

Each Member State of the WHO European Region is encouraged to analyse the economic and social impact of their health systems by 2025.

4. Health systems and current economic and social priorities

New ideas are needed in order to invest in the future, create sustainable health systems, tackle inequality and ensure an inclusive and sustainable economy in which everyone can succeed and flourish. The services that keep us “safe, sound and civilized” *(42)* are the services that are often taken for granted until they fail (such as water, infrastructure or health services). These services need to be paid for, but such large budgets are often only seen as a cost. In fact, they are an unrecognized potential, capable of having significant economic and social benefits on local, regional and national economies. More holistic approaches are needed, which emphasize sustainable development, as well as create systems in which funding stays in local communities.

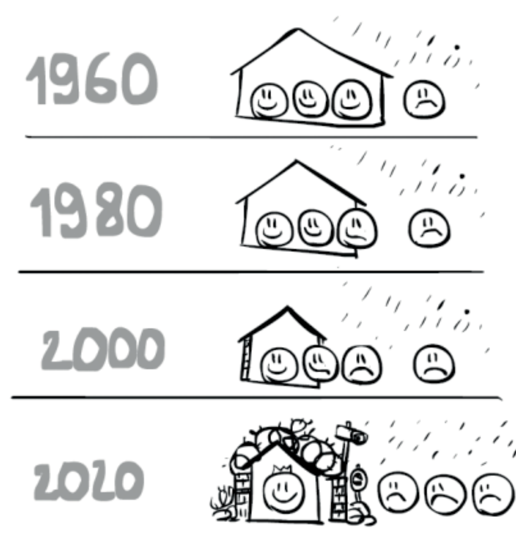
4.1 Economic and social priorities in the WHO European Region

4.1.1 Income inequality is increasing

Income inequality has increased in the WHO European Region. Many communities and individuals have been left behind, as the full effects of globalization have not equitably reached everyone. The effects of deindustrialization and globalization have left many communities with high unemployment levels, rising inequalities, and poor health outcomes (Fig. 4.1).

The current economic situation doesn‘t benefit everyone; wealth continues to drift upwards and income inequalities continue to increase. This leads to tension among communities in society and slows economic growth *(43)*.

Fig. 4.1 Growing income inequality *(44)*



4.1.2 Poverty and work are changing

In many WHO European Region Member States unemployment is declining; however, employment trends are also shifting. Having a job no longer guarantees not living in poverty. Working poverty is increasing and therefore increasingly more people do not have enough money to live on. In 2016 many workers were living in poverty, including:

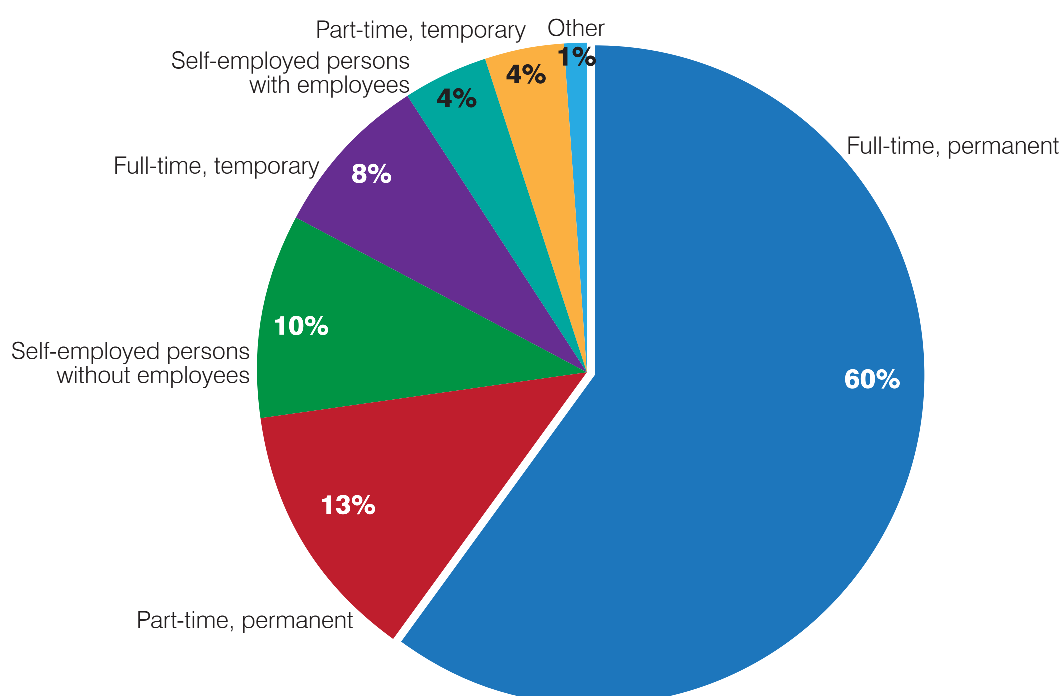
- 5% of standard workers
- 20% of full-time temporary employees
- 24% of self-employed people
- 26% of part-time workers *(45)*.

4.1.3 The impact of the rise of non-traditional work

Approximately 40 % of people employed in the EU are either in an “atypical” employment situation (e.g. they are not working under a full-time contract, have an open-ended contract or are self-employed) (Fig. 4.2). Many of those working in these types of jobs are not sufficiently covered in terms of social security, employment insurance and access to pension rights; nor do they enjoy support from employment services *(46)*. Households dependent on earning from non-traditional jobs have higher income poverty rates *(47)*, and temporary and insecure work is linked to worse mental health and well-being.

- Approximately one third of all employment in OECD countries is temporary or part-time employment, or self-employment *(47)*. Temporary workers are not a homogeneous group: women, men, and both younger and older workers are all likely to work in temporary employment positions.
- In many countries informal employment is still high; for example, it accounts for a third of employment in Poland, the Russian Federation and Turkey *(48)*.

Fig. 4.2 Europe’s labour market, 2018



Source: (49)

The shift in types of work has too often led to a **decline in employment opportunities and standards**. Many people want to have more flexibility, particularly parents who wish to access the labour market while raising their children. Too often this flexibility is accompanied by an increased likelihood of having temporary jobs (which have less security and often lower salaries, as well as fewer training and career opportunities) and of living in poverty. People feel pressure to accept poorly paid or poor-quality work; this helps to explain the anomaly in many countries, which have seen lower unemployment rates but increasing or stagnating poverty levels (Table 4.1).

Table 4.1 Levels of involuntary part-time employment as percentage of total part-time employment, 2008 and 2017

	2008 (%)	2017 (%)	Increase (%)
Greece	44	70	26
Cyprus	30	68	38
Italy	41	62	21
Spain	36	61	25
Bulgaria	51	59	8
Romania	52	56	4
EU	26	26	0

Source: (50)

In addition, despite significant improvements in gender equality in recent decades, the **pay gap between men and women** persists in the EU. The unadjusted gender pay gap – which measures the difference between average male and female earnings as a percentage of average male earnings – amounted to 16.3% in 2016 across the EU *(45)*. Box 4.1 outlines how the European Pillar of Social Rights aims to deal with this disparity.

Box 4.1 The European Pillar of Social Rights

The European Pillar of Social Rights places poverty while in employment central to its work. The goal of the European Pillar of Social Rights is to improve working and living conditions, doing so by:

- promoting equality of opportunity
- supporting social services
- ensuring the right to fair wages and minimum incomes, thus decreasing in-work poverty
- ensuring the right to a decent standard of living
- decreasing the gender pay gap
- ensuring the right of people with disabilities to work in environment adapted to their needs.

Local, regional and national governments and authorities, social partners and civil society organizations are key to delivering and implementing the European Pillar of Social Rights.

4.1.4 The shift from goods to services

In the WHO European Region the increase in low-paid, part-time, temporary jobs is accompanied by an increase in jobs in the service sector and a decline in jobs in industry, agriculture and construction (Table 4.2). This reflects the situation in many industrialized countries, which have seen a shift away from the industrial, manufacturing and construction sectors towards service-oriented activities. Manufacturing as a proportion of total production and employment has been in continuous decline, while services have gained in importance *(45)*.

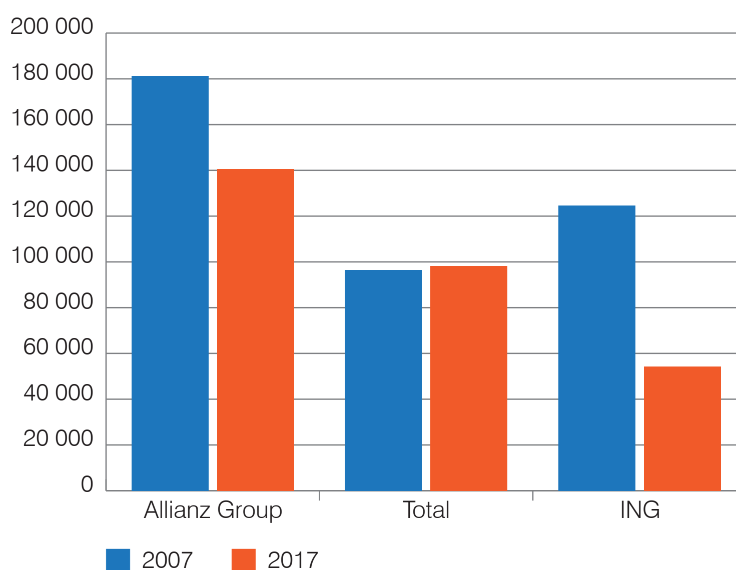
Table 4.2 Employment in 10 main economic activities in the EU, 1996 and 2016

	1996 (%)	2016 (%)
Wholesale and retail trade, transport, accommodation and food	23.0	25.0
Public administration, defence, education, human health and social work	22.0	24.0
Industry (except construction)	21.0	15.0
Professional scientific and technical activities	8.0	13.0
Agriculture, forestry and fishing	8.5	4.5
Construction	7.0	6.0
Arts, entertainment, recreation, and other services	5.0	6.0
Financial and insurance activities	3.0	3.0
Information and communication	2.0	3.0
Property sales/activities	1.0	1.0

Source: (51)

The decline in industrial and construction jobs in the WHO European Region reflects the wider changing nature of the private sector. No longer does this sector offer unlimited growth of full-time jobs, as automation, artificial intelligence and changing markets have resulted in a decrease in employment in some Member States and stagnation in employment in others (Fig. 4.3).

Fig. 4.3 Decline/stagnation in jobs in key European private employers, 2007 and 2017



Source: (52-54)

4.1.5 The declining quality of public sector jobs

At the same time that jobs in the private sector are changing, so too is the nature of public sector jobs. Some countries have reduced the size of the public sector, while others have expanded it; yet, across Europe, public sector wages no longer guarantee good, well-paid and sustainable work. Public sector jobs have traditionally offered better employment conditions and job security, and were more likely to be full-time and permanent positions *(55)*. Such jobs were seen as middle-class, high-quality jobs, but in some countries public sector jobs now offer low wages, even for key roles such as nurses and teachers, and they no longer guarantee a decent income or good-quality working conditions *(55,56)*.

4.1.6 Health systems driving sustainable and inclusive growth

The 2030 Agenda for Sustainable Development states that there are three dimensions of sustainable development – economic, social and environmental – and, furthermore, that combating discrimination and increasing equity are central to the attainment of sustainable societies and economies. Improving health and ensuring no one is left behind contributes to economic growth and development and influences macroeconomic indicators, such as GDP and unemployment rates, as well as microeconomic indicators, such as household consumption, health, nutrition, and education *(57)*. Sustainable and inclusive growth can stimulate economies and reduce income-related inequalities in health *(58)*.

An analysis of investment in health and social protection in 25 European countries found investing in these two sectors protected populations and encouraged short-term growth *(59)*. State health spending is most likely to be followed by growth accelerations, and investing in human capital is crucial for long-term growth *(60)*. However the conditions imposed on countries by international organisations and financial institutions are often at odds with the aim of improving health for all. For example the conditionalities prioritize a type of economic growth that is not sustainable; this leads to weak wages, tax increases and cuts to key services, such as health and social care *(61,62)*.

4.2 Achieving the “triple billion”

By 2023, WHO aims to achieve the “triple billion” priorities globally:

- 1 billion more people benefiting from universal health coverage (UHC)
- 1 billion more people better protected from health emergencies
- 1 billion more people enjoying better health and well-being.

Measuring and promoting understanding of health systems’ economic and social impact can help Member States to achieve UHC by showing how health systems contribute to local and national economies.

Investing in UHC not only improves health, but also impacts positively on local and national economies.

4.3 The powerful economic and social impacts and benefits of health systems

Investing in a country's well-being should not be viewed as an economic burden, but rather as contributing to the growth and stability of the economy. Health systems have a positive impact on communities and on economic development. The methods discussed in this report show the trickle-down economic effect of investing in health systems, as well as the social benefits of providing high-quality jobs and procuring goods and services from local businesses.

Health systems have a powerful economic and social role to play in national and local communities. By demonstrating their value in positively influencing local economies, through their employment and procurement practices, health systems can be leading contributors to local and national economic development.

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Annex 1. Input/output analysis: calculating economic and social impacts

Input/output tables (IOTs) are powerful economic tools, which allow us to understand the movement of goods and services throughout a national economy. In their most basic form, they allow the calculation of gross domestic product (GDP) by tracking transactions between industries. They are used to estimate ripple effects within economies and are tabular representations of how industries transact with each other. For example, an increase in the demand for health services requires more equipment, labour and supplies, which, in turn, requires more labour to supply those goods and services, and in turn again, to supply more goods and services for the suppliers. Investing in health has wider impacts and benefits than just on the health sector itself.

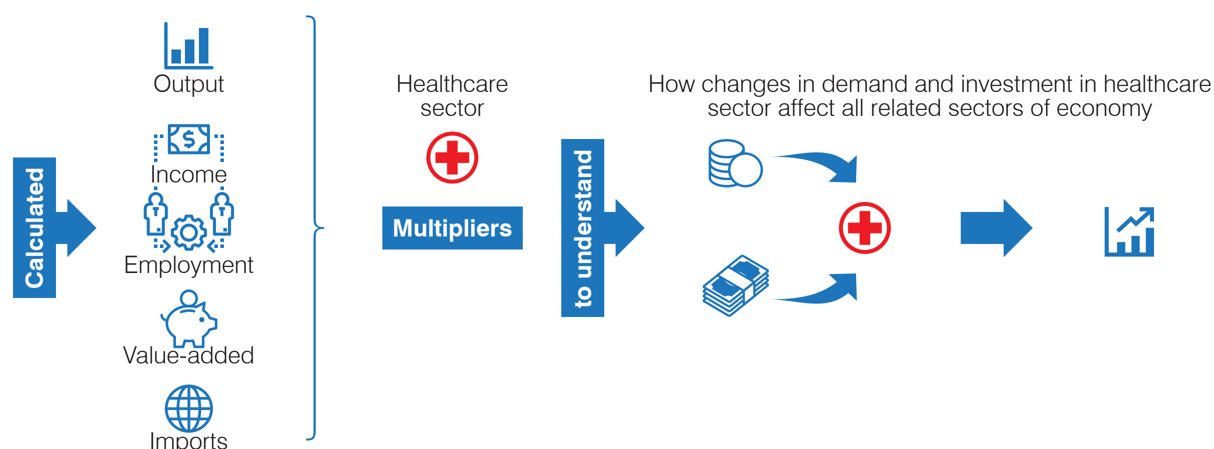
IOT impact analysis has been widely used to understand the extent to which changes in investment or economic policy have an impact on various socioeconomic indicators.

Through the use of IOT multipliers, changes induced by the health care sector in the rest of the economy can be quantified. In addition, IOT impact analysis can show precisely which sectors are the most connected to it, allowing a direct understanding of which communities will be affected directly from the changes prescribed.

The extent of the impact that changes in one sector will have on the rest of the economy is calculated through IOT multipliers. The most widely used multipliers enable understanding of the size of the impact of the following elements:

- output
- income
- employment
- value-added
- imports (Fig. A1.1).

Fig. A1.1 Multipliers in the health care sector

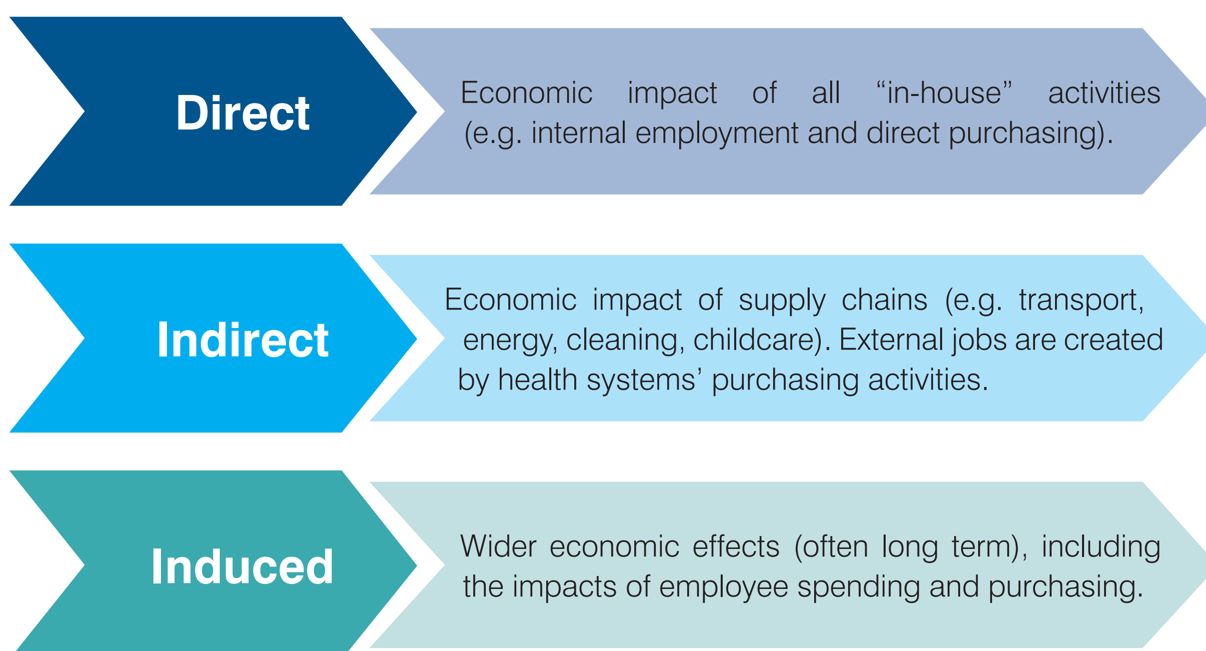


Economic multiplier studies show the effect of the economic activity of one person on the business of others. When a person gains employment, they spend more money, thus increasing sales, which in turn creates potential to employ other people. Multipliers themselves can detail different effects, including:

1. **direct effects**, which comprise the economic activity occurring in health systems, such as salary and capital expenditure;
2. **indirect effects**, which include the economic activity in the businesses that supply goods and services to health systems, and the businesses that supply these suppliers in turn;
3. **induced effects**, the economic activity in businesses in which health sector staff spend their wages, and the businesses that supply these purchased goods and services.

These direct, indirect and induced economic activities **contribute to local and national economies, creating economic opportunities in other sectors** (Fig. A1.2).

Fig. A1.2 The impacts and benefits of economic activities on health systems



Nineteen European Union (EU) countries were analysed (see subsection 2.3.1 Piloting the input/output methodology using national data and subsection 2.3.2 Results):

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Denmark
- Finland

- France
- Germany
- Greece
- Hungary
- Italy
- Latvia
- Netherlands
- Romania
- Slovenia
- Slovakia
- Spain
- United Kingdom

Annex 2. Key definitions

Community wealth-building (CWB)

CWB is a model of development that involves local economic actors coming together to organize the assets of existing communities and to keep wealth circulating within those communities (see Fig. A2.1). This is an increasingly recognized approach for economic development at the local level.

Fig. A2.1 CWB

Inclusive growth

Inclusive growth lacks a single definition but generally incorporates:

- economic growth that is distributed fairly across society;
- economic growth that creates opportunities for all;
- understanding who is employed in the economy, participating as workers, consumers, and business owners;
- understanding whether growth is lasting and sustainable;
- understanding whether everyone has equal access to economic opportunities, as well as the level of security and predictability associated with those opportunities *(1,2)*.

Unequal growth can have a detrimental effect on opportunities to be healthy and fully participate in social and economic life. Instead of benefiting just a few people, sustainable and inclusive growth aims to benefit everyone fairly across society, whereas the effect of trickle-down economics is to keep power and money in the hands of a few (Fig A2.2, Table A2.1). Investing in well-being and in health systems can promote socioeconomic equity and economic growth.

Fig. A2.2 The reality of trickle-down economics

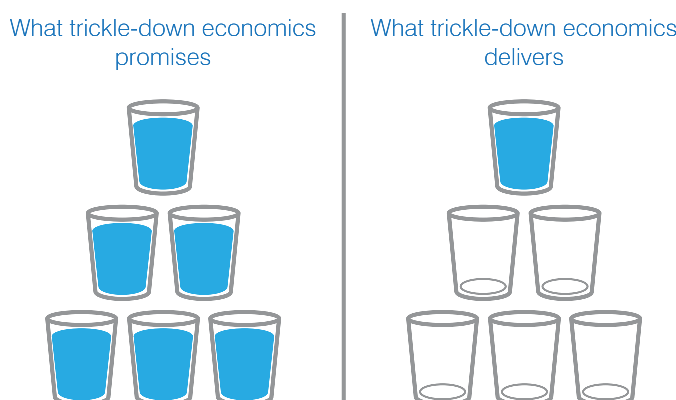


Table A2.1 Inclusive community wealth-building versus traditional economic development

Factor	Inclusive CWB	Traditional economic development (trickle-down)
Place	Develops local assets for benefit of local community	Attracts businesses using incentives (tax breaks) and increases the tax burden on local residents
Ownership	Promotes local ownership as the foundation for a thriving local economy	Supports absent and elite ownership, often harming locally owned firms
Multipliers	Encourages local procurement to keep money circulating locally	Is uninterested in whether money is spent locally
Collaboration	Includes new partnerships, e.g. with civil society/non-profit-making organizations, businesses, and small and medium enterprises	Is led primarily by private sector and government, excluding local communities.
Inclusion	Aims to create inclusive jobs that pay a living wage	A key metric is the number of jobs created, with little regard for wages or who is hired
Workforce	Links training to employment and focuses on jobs for those facing barriers to employment (e.g. young people, and older workers)	Does not link training programmes with actual jobs
Systems	Develops institutions and supportive systems to create new, fairer standards of economic activity	Accepts the usual economics of wealth inequality and trickle-down economics

Source: (3)

Micro, small and medium-sized enterprises (MSMEs)

MSMEs represent 99% of all businesses in the EU. The EU defines an MSME by considering staff headcount and turnover, or balance sheet total (Table A2.2).

Table A2.2 MSME definitions

Company category	Staff headcount	Turnover (million) or	Balance sheet total (million)
Medium-sized	< 250	≤ €50	≤ €43
Small	< 50	≤ €10	≤ €10
Micro	< 10	≤ €2	≤ €2

Source: (4)

Social enterprise

A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than to make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion, and uses its profits primarily to achieve social objectives *(5)*.

Sustainable economic development

Sustainable economic development increases funds for investments in health systems and services, resulting in better socioeconomic status for all citizens, which is the key precondition for sustaining healthier lifestyles and choices.

> *"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."*
>
> Brundtland Commission, 1987 *(6)*

Women-owned businesses

The United Nations defines a women-owned business as "a legal entity in any field that is more than 51-per-cent owned, managed and controlled by one or more women". Women now own approximately one third of all businesses across the globe. They manage US$ 20 trillion in consumer spending each year, yet they receive less than 2% of annual corporate procurement spending *(7)*.

There are numerous barriers preventing women and girls from entering and/or fully participating in the formal economy. The most significant barriers are:

- **financial capital**; women typically start their businesses with less capital and have less access to financing than men, which limits their ability to start and grow their businesses;
- **social capital**; female business owners tend to have more difficulties than male business owners ín establishing robust business networks and connections with individuals and organizations that can generate business;
- **human capital**; female business owners tend to lack managerial experience, which is compounded by the smaller amount of time women are able to devote to their businesses, mainly owing to household pressures/responsibilities *(8)*.

Gender in procurement needs to be addressed, as "only about 12% of businesses include gender equality criteria in their supply chain management tools and approximately 5% set procurement and/or percentage spend targets specific to women-owned businesses." *(9)*.

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The WHO Regional
Office for Europe

The World Health Organization (WHO) is a specialized agency of the United Nations created in 1948 with the primary responsibility for international health matters and public health. The WHO Regional Office for Europe is one of six regional offices throughout the world, each with its own programme geared to the particular health conditions of the countries it serves.

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