

**PUBLIC HEALTH ASSOCIATION
OF NEW ZEALAND**

**SUBMISSION ON THE
2001 BUDGET POLICY STATEMENT**

January 2001

**Submission to the
Parliamentary Finance and Expenditure Select Committee
on the 2001 Budget Policy Statement
from the New Zealand Public Health Association of NZ (PHA)
26th January 2001**

Economic growth through equity

This submission is to suggest ways by which the nation's social and economic health can be improved by Government financial policy. In particular, ways are suggested in which Government could use the 2001 budget to reduce inequity and improve the health of the population. We support the aim of the Government to 'shift to a positive approach where we invest in people' (Budget Statement).¹

The Public Health Association urges Parliament on the following:

- That social wellbeing (including health) be made an explicit aim of economic policy
- That Government undertakes systematic monitoring and assessment of the health and social impacts of macroeconomic policy
- That Government continues to develop taxation policies that are specifically targeted to improve health and reduce disparities.

Introduction

The Public Health Association of New Zealand (PHA) is a voluntary association which provides a major forum for the exchange of information and stimulation of debate about public health in New Zealand (PHA web site²). Membership of PHA is open to all individuals interested in public health and covers more than 300 individual members from the public, private and voluntary sectors. The PHA is a member of the World Federation of Public Health Associations.

Public health is defined as the improvement of the health of the whole population '*through the organised efforts of society*' (Acheson, 1988³)

The PHA considers that a well-designed fiscal policy can promote health and at the same time improve the social and economic resilience of our society. Some of the ways by which fiscal policy can do this include reducing inequality in society, and reducing the use of products harmful to health and the environment. Furthermore, revenue from taxes that protect health can be used to fund programmes that further promote and protect health, provide health services and fund other essential Government services.

¹ Budget Policy Statement 2001, p.4.

² <http://www.pha.org.nz/>

³ Acheson, D. *Public health in England*. London: HMSO, 1988.

The PHA proceeds from the following views:

One of the most important factors determining the health of the population is income inequality.

Financial and economic policies are not separable from social policy.

Macroeconomic policy affects the level of inequality.

Economic tools can be directly used to support good health and healthy environments

The need for much greater investment in social and human capital

We are an unequal society. Inequality in health outcomes is considerable in New Zealand.^{4 5 6} Poverty, unemployment and under-employment, poor housing and poor education affect the health of New Zealanders⁷. There is a growing body of evidence that countries that have high levels of income inequality have fallen behind in absolute measures of health such as life expectancy. (Wilkinson RG, 1996)⁸. There is evidence that redistributive policies benefit population health (possibly even for those on the highest incomes).⁹

Improvements in all these areas are worthwhile in their own right. As each affects health, cumulative improvements will make marked improvements in the health of New Zealanders. This will improve the health of Maori, and of Pacific peoples in particular. Maori and Pacific people have disproportionately poor income, housing, education and employment so improvements here (along with culturally appropriate health and social services) will make significant gains in health. Improving the health of Maori and Pacific peoples will improve the overall health of New Zealanders.

Thus full employment, greater income support for the worst off, greater investment in housing for those at need, and better educational opportunities for those in the most deprived groups should be core Government policy.

Income inequality contributes to and perpetuates disparities in all the other above areas. Reduction in income inequalities is crucial to population health improvement.

⁴ Howden-Chapman P. (ed). *Social inequalities in health: New Zealand in 1999*. Wellington: Ministry of Health, 2000.

⁵ Ministry of Health. *Our Health, Our Future: The Health of New Zealanders 1999*. Wellington: Ministry of Health, 1999.

⁶ Ministry of Health. *Taking the Pulse: The 1996/97 New Zealand Health Survey*. Wellington: Ministry of Health, 1999.

⁷ National Health Committee. *The social, cultural and economic determinants of health in New Zealand*. Wellington, 1998, p.8-9.

⁸ Wilkinson RG (1996) *Unhealthy Societies: The afflictions of inequality* Routledge, London

⁹ Eccob R, Davey Smith G. Income and health: what is the nature of the relationship? *Soc Sci Med* 1999; 48: 693-705.

We believe that reducing inequalities will help society as a whole, through greater social cohesion, and through reduced violence, mental illness, alcohol abuse and communicable diseases. A more stable and cohesive society will be better able to withstand social and economic shocks, and will provide a better foundation for the economy. This is consistent with the Government's intention to increase social cohesion and would lead to less alienation of Maori and Pacific peoples. There is a need to make the strengthening of social as well as economic resilience an essential part of Government policy.

Reducing inequalities would also help the economy by the advantage of a more healthy, productive and educated workforce – for instance through a lower school dropout rate. Inequality inhibits economic growth by undermining social cohesion, lowering levels of education, reducing spending power and increasing social, economic and political instability.¹⁰ Cross-national studies suggest that higher rates of inequality are associated with lower rates of economic growth.¹¹

Reduced income and asset inequity would improve the health of Maori and Pacific peoples, enhance social justice, help prevent crime, strengthen democracy and enhance social capital.

In particular there is a need for a greater investment in preventative health. Providing interventions that lower the necessity for health treatment services enables resources to be freed up for other uses. Many unused or underused preventive health interventions are highly cost-effective, saving hundreds of dollars for each dollar invested.

The explicit aim for financial policy of improving the health of the nation could be reported using an approach similar to The Genuine Progress Indicator.¹²

To summarise: Government economic policy needs to emphasise *the importance of good health outcomes through* social equity, and investment in social and human capital. These need to be included, along with ‘innovation’ and ‘new business creation’. A sustainable society is the foundation for a sustainable economy. A stable and resilient social environment is essential for a stable macroeconomic environment.

The PHA views as the priority for financial policy a much greater investment in social and human capital, including a greater investment in preventative health services.

¹⁰ Aghion P, Caroli E, Garcia-Penalosa C. Inequality and economic growth: the perspective of the new growth theories. *J Economic Lit* 1999; 37: 1615-60.

¹¹ Benabou R. Inequality and growth. *NEBR Macroeconomics Ann* 1996; 11: 11-74.

¹² Anielski, M and Rowe, J (1999) The Genuine Progress Indicator – 1998 Update, Redefining Progress.

Inequality associated with macroeconomic policy.

Inequalities are reducible. They vary between societies and across time. At different times our own country has had differing levels of equality in both health and income. Decisions that governments take can either increase or decrease inequalities.

In particular, the taxation system can sharpen or reduce inequality. Increased income and asset equity is the aim. Consideration could be given to:

- Developing a more progressive income tax system (while reducing tax for low-income earners).
- Re-introducing an inheritance tax.
- Introducing a currency trading tax (the “Tobin tax”).
- Introducing a capital gains tax or asset tax (eg, starting at \$1m of assets).

The three latter taxes could help spread the tax base, and lower our dependency on income tax, making Government revenue more resilient.

The need for assessment and monitoring of the effects of economic policy

We advocate introduction of health impact assessment for government policies. This could be done in the way that health impact assessment has been introduced into the European Union. *“A high level of human health protection shall be ensured in the definition and implementation of all community policies and activities”*¹³.

New Zealand should be able to say the same of its policies and activities, including the budget policy statement. To ensure a high level of human health protection in all activities we need a cycle of actions as follows.

1. Assess policies for their potential impact and decide **if** they should be implemented.
2. Monitor the impacts of them once they are introduced.
3. Adjust policies that are prejudicial to health.

In practice, health or social impact assessment is a mechanism similar to environmental impact assessment or regulatory cost compliance assessment. It is a combination of procedures, methods and tools by which a policy, program or project may be judged as to its potential effects on the health of a population, and the distribution of those effects within the population¹⁴.

The PHA views as a priority for financial policy the systematic monitoring and assessment by Government of the health and social effects of Government macroeconomic policies.

13 Treaty of Amsterdam 1999, Title X111, Article 152,<http://ue.eu.int/Amsterdam/en/traiteco/en1.htm>

14 Gothenburg Consensus paper

Particular fiscal tools can be used to support good health and healthy environments

Taxation that supports health can be used to raise revenue and also to deter usage of particular activities that are harmful to health. We support this approach and encourage its further development.

The PHA views as priority the maintenance and development of tobacco and alcohol taxes, and the development of other similar instruments to support health.

Raising and dedicating tobacco tax: Further increases in tobacco tax are justified on the grounds of the proven effectiveness of tax increases as a tobacco control strategy. Further investment in tobacco control is justified by the proven effectiveness and cost-effectiveness of comprehensive programs. Tobacco smoking is the biggest cause of preventable deaths of New Zealanders. Tobacco smoke disproportionately impacts on Maori and Pacific peoples. Currently the Government receives over \$800m from tobacco-generated income and spends less than \$30m on smoking prevention and cessation. The major part of this tax (75%) is collected from low-income people.

Higher tobacco taxes would reduce tobacco consumption, increase quit rates and lower the uptake of smoking by youth. Increased taxes would need to be accompanied by increased cessation help for smokers, and by a greatly increased investment in a truly comprehensive tobacco control program. A dedicated tobacco tax would provide the secure funding for such a program. Such programs funded by dedicated taxes have been very effective in places such as California and Massachusetts.¹⁵

Raising and better using alcohol tax revenue

Further increases in alcohol tax are justified on the grounds of the ongoing substantial health and social costs of alcohol use and the proven effectiveness of tax increases as an alcohol control strategy. Alcohol related problems cause about 500 deaths each year, and cost over \$16 billion annually. Young people suffer a significant proportion of this harm and youth binge drinking is increasing. Government gathers over \$400 million in alcohol excise tax annually and spends a small part of this on reducing alcohol problems. The benefit of tax increases would particularly arise from reductions of motor vehicle fatalities among young people but extend to reductions of other problems (eg high school failures, sexually transmitted diseases, child abuse and use of other drugs).

A portion of this funding could be used for improved support of laws restricting the sale of liquor, both direct enforcement and support for the restriction. Support for restriction of alcohol use can be developed by a wider community-based approach involving alcohol policies in organisations (sports clubs, marae, workplaces) and the role of adults in supplying alcohol to young people.

¹⁵ Glantz Stan, Balbach D Edith. *Tobacco War – inside the Californian battles*. University of California Press 2000

Other taxation to create healthy environments

Systematic energy and carbon user charges are examples of other taxation possibilities that can reduce adverse health impacts. In this case the direct health gains include the lowering of air pollution, noise and injuries from motor vehicle use.

Conclusion

We support the Government's aim to increase investment in human capital. We recommend that Government fiscal policies better reflect this goal. There is a major scope for the improvement of Government financial policy so as to make New Zealand society more equitable and resilient, to improve its health status, and to make the society and economy more sustainable.

Recommendations

Financial policy aims

- That Government's goals for its financial policy explicitly include the aim of improving the health of the population.

Reducing inequality through macroeconomic policy

- That Government financial policies should ensure that, by helping the less well off, they will reduce inequalities within New Zealand.
- That Government undertakes systematic monitoring and assessment of the health and social impacts of macroeconomic policy, particularly the effects on poverty, education, employment and housing.

Maintain and develop economic instruments to support healthy people and healthy environments

- That taxation is used to reduce inequalities/redistribute income:
 - that an identified percentage of tobacco-generated Government revenue is used for both direct tobacco control work and on improving the underlying social determinants of smoking.
- That alcohol taxes are increased, and that Government ensures a well-funded harm-reduction alcohol policy is maintained. That this policy include the purchases of local community assistance for:
 - help in the enforcement of laws restricting sale of liquor
 - alcohol youth health initiatives including safer social venues for young people and development of alcohol policies in organisations and the role of adults in supplying alcohol to young persons.
- That the Government develops additional economic instruments to maintain healthy environments.