NHS Health Scotland

Income, wealth and poverty

NHS Health Scotland is a national Health Board working with and through public, private and third sector organisations to reduce health inequalities and improve health. We are committed to working with others and we provide a range of services to help our stakeholders take the action required to reduce health inequalities and improve health.

Key messages

- Income and wealth inequalities are fundamental causes of health inequalities. They influence other factors such as housing, alcohol use and smoking.
- Reducing poverty and inequalities in income and wealth is important in reducing health inequalities.
- Changing aspects of economic, taxation and social policy can have a profound impact on health inequalities.
- Income is considered to be the most important social determinant of health.
- Greater income and wealth leads to better health.

Key actions

- Make the reduction of income and wealth inequalities the central objective of economic policy.
- Introduce the living wage to reduce the ratio between the highest and lowest earners and provide greater income security.
- Ensure tax is more progressive and provide greater resources for redistribution and public services.

What is this briefing about?

This briefing explores the role of income, wealth and poverty in creating health inequalities, and the evidence for effective actions to reduce health inequalities in this area.

As this briefing complements those already available (including our briefing on good work[1]), the focus here is on broader economic and taxation issues.

What are health inequalities?

Health inequalities are the unfair and avoidable differences in people's health across social groups and between different population groups. They represent thousands of unnecessary premature deaths every year in Scotland, and for men in the most deprived areas nearly 25 fewer years are spent in 'good health' than men in the least deprived areas; for women this is 22 years. Please see the first briefing in this series, 'Health Inequalities: What are they? How do we reduce them?',[2] for more information on health inequalities and the broad range of actions that can be taken to reduce them.

What do we mean by income, wealth and poverty?

Income is the money received by individuals or groups over a period of time. Having sufficient income is essential to being able to pay for the goods and services needed to fully participate in society and to maintain health.[3]

The difference between income and wealth

Income is the **money received by individuals,** e.g.

wages and salaries from jobs ■ rental income from property ■ profits flowing to shareholders

Wealth is the current **value of a stock of assets**, e.g.

savings in bank accounts ■ ownership of property ■ wealth held in pension schemes

Wealth is both the material and capital assets (e.g. property) held by individuals and groups, which provides a reserve of financial resources and often provides an income stream (e.g. from interest, pensions, rents and shares). Income and wealth are closely related with socioeconomic status and the power that different individuals and groups have in society.

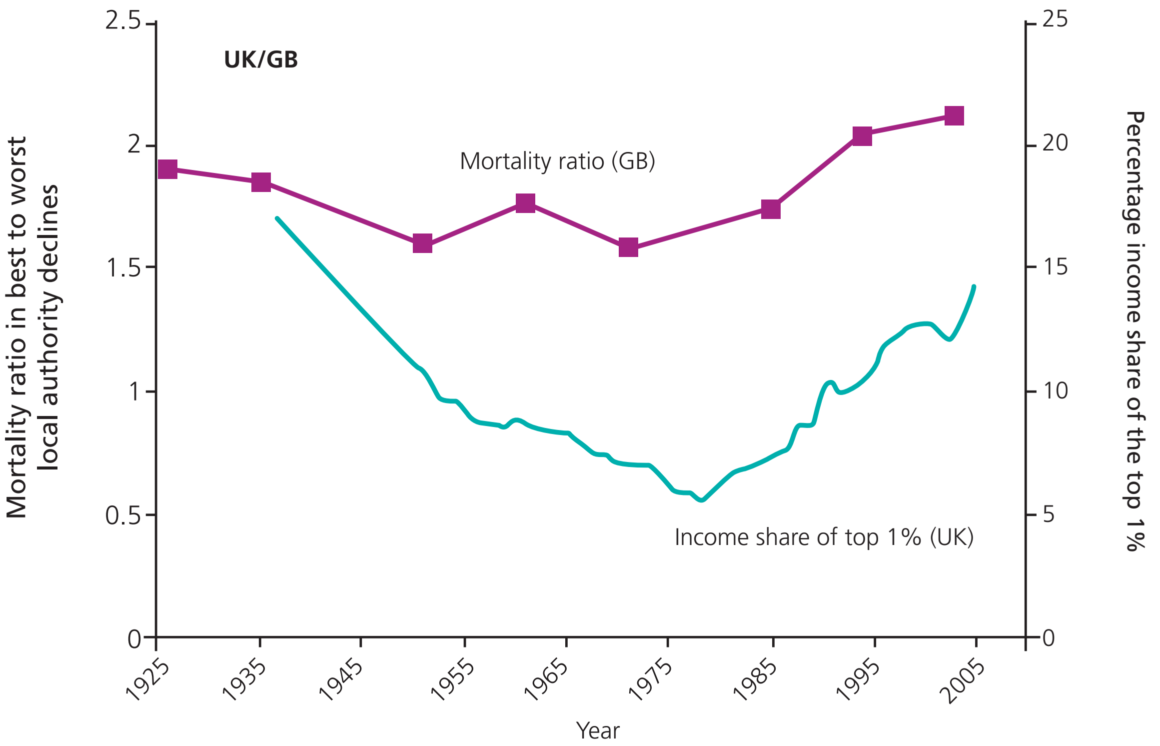
Poverty is a lack of income (either in absolute terms or relative to the rest of the population), with the most common threshold defined as having an income below 60% of median income.

Income, wealth and health inequalities

Income and wealth inequalities are important determinants of health inequalities,[4,5] and are likely to be important determinants of the average health of populations.[6] They are also fundamental causes of health inequalities in that they influence other intermediate factors such as housing, smoking and alcohol use.[7] This means that reducing income and wealth inequalities, and addressing poverty, are essential parts of a strategy to tackle health inequalities. Focusing on health behaviours alone is therefore unlikely to be a sufficient approach.

A good illustration of this close link between income and health inequality is shown in **Figure 1**. The graphs show that health inequalities[a] in both Great Britain and the USA have had closely tracked trends in income inequalities through time (**Figure 1**)[b].

Figure 1: Trends in health inequalities and income inequality in Great Britain (GB)/UK and the USA over time (sources: Thomas,[8] Krieger,[9] Dorling[10] and the Luxembourg Income Study[11]).



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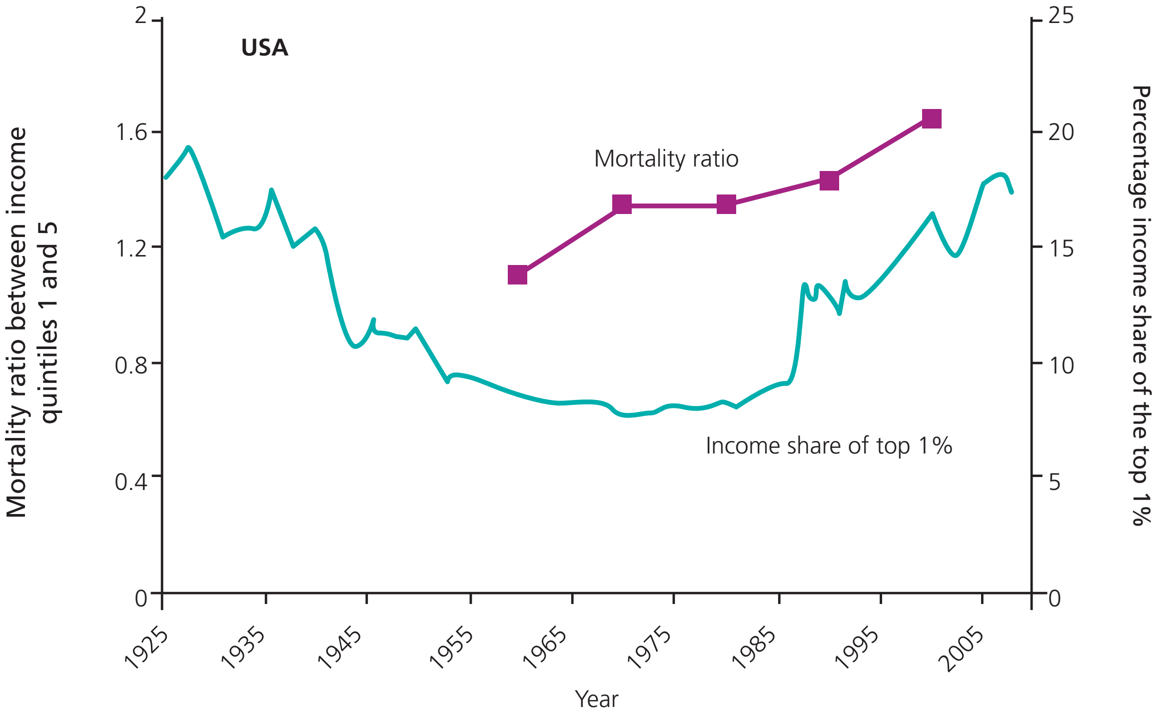
[a] Using a different measure of income inequality, the share of income received by the top 1%, the close correlation in trends in Great Britain can be tracked back to the 1920s.

[b] Historically, the trend in health inequalities in Great Britain is approximated by looking at the gap between the best and worst deciles of local authority areas over time.



What do these graphs show?

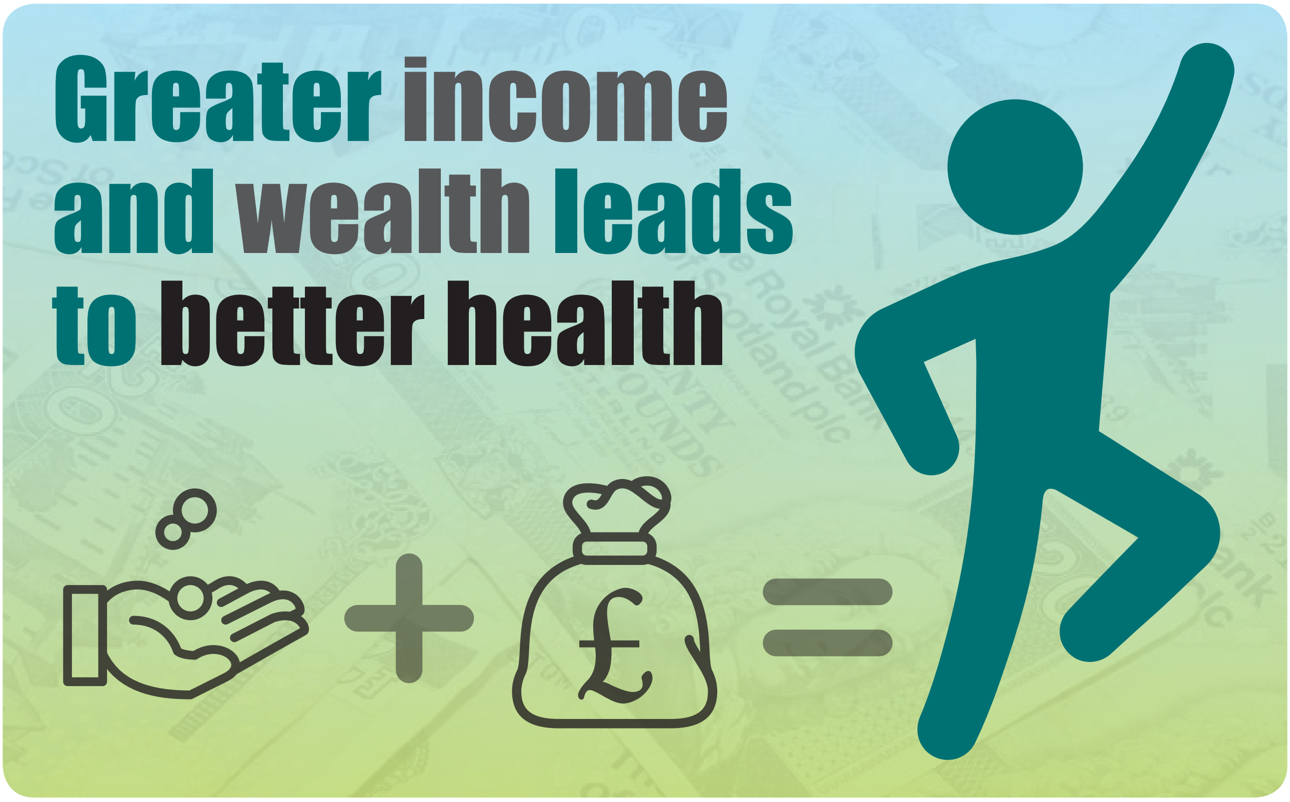
There were substantial decreases in health inequalities in GB between the 1920s and 1970s on this measure. Health inequalities then steadily increased in both GB and the USA after the 1970s.

From the 1920s and 1970s, both the UK and USA witnessed a radical and sustained decline in absolute and relative poverty levels. The initial decline in poverty was a result of planned institution building (e.g. the NHS and local government), the creation of universal welfare benefits (e.g. state pensions and child benefit) and an economic and industrial policy, which helped to gradually decline income inequalities (as approximated by the income share of the top 1%) through wide sharing of the benefits of economic growth.

However, from the 1970s onwards, these trends were reversed and inequality become once again widespread.[8,9] This period saw these institutions, policies and benefits disappear, alongside an economic, industrial and post-industrial policy which prioritised market approaches as part of a broader socioeconomic strategy in both the UK and USA.[5]

Income and health

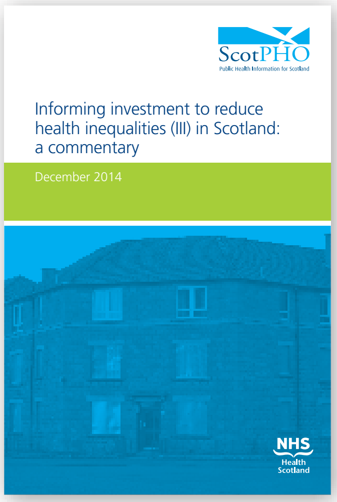
Within societies, people with greater income and wealth are generally healthier;[12] although the relationship is non-linear such that small increases in income for those in poverty make a larger difference than small increases for those who are already affluent.[13] Various longitudinal studies have established that this relationship is causal: **greater income and wealth leads to better health**. Ill health can lead to individual declines in income, particularly in societies in which the social security system is limited, but this is not a substantial cause of health inequalities across the whole population.[14,15]



Across countries, those with the most economic activity (as measured by Gross Domestic Product) generally have the highest life expectancy. However, again, this relationship is non-linear, and among high-income countries, the benefits of further economic growth for life expectancy is less clear, and other factors such as the poverty level and social infrastructure are likely to be more important.[6,16,17]

Evidence-informed actions on income, wealth and poverty

The 'Informing investment to reduce health Inequalities (III)' modelling studies[18] demonstrate the substantial impacts that changing aspects of economic, taxation and social policy can have on health inequalities.[19] For example, increasing the minimum wage, increasing the value of various benefits and increasing employment in the most deprived areas are all shown to reduce health inequalities substantially.



Actions on income, wealth and poverty that can improve health and reduce inequalities

There have also been a number of recent publications that explore the broader evidence base for policy approaches to reduce income and wealth inequalities, and poverty.[20–25] The evidence base can be summarised as:

1. **Economic strategy:** Make the reduction of income and wealth inequalities the central objective of economic policy. It is increasingly recognised that more equal distribution of income and wealth leads to greater overall growth [even among bodies previously supporting a growth-first approach such as the the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF) and World Bank].
2. **Ownership:** Policies that reduce inequalities in the ownership of capital (e.g. land, housing and shares) are likely to contribute to greater equality of incomes. Models of cooperative ownership (e.g. of companies or land) also have potential to enhance equity.
3. **Taxation:** Increased tax take and greater progressivity in taxation (i.e. a steeper marginal taxation as incomes increase) are likely to reduce income inequalities and provide greater resources for redistribution and public services. This includes taxing the means of holding and transferring wealth (e.g. stamp duty and inheritance taxes) if wealth inequalities are to be reduced.
4. **Wages and job security:** The introduction of a living wage (at a level that accounts for any changes to the social security system) is likely to reduce wage inequality. This includes reducing the ratio between the highest and lowest earners and providing greater income security (e.g. by providing a guarantee of hours for those who wish them).
5. **Industrial policy:** Vary the economy to ensure that there is resilience to change (e.g. reduce reliance on the financial services sector and oil industry) and provide support for those sectors which produce high-quality and well-paid jobs in areas of greatest need.
6. **Workers' rights:** Remove barriers to worker organisation and ownership to ensure that there is a rebalancing of power between the owners of wealth and those who work to create it (e.g. through greater collective bargaining).
7. **Social security:** The social security system must ensure that all in society have sufficient income, and provide the basis from which people can develop their skills and provide for the needs of their families. This would involve increased levels of protection and less conditionality, such as would be the case with a Citizen's Income.[26] Policies that reduce the inequalities in pensions received across the population are also important.
8. **Addressing costs of living:** Reducing costs that impact most on the poorest groups (including childcare, housing, heating, transport and food) relative to income is an important component in a strategy to reduce poverty. Ensuring that there are no financial barriers to accessing a high-quality education across the population is also important.

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Collaboration with NHS Health Scotland

For further information, to join the mailing list for future Inequality Briefings in the series or to discuss working in partnership with NHS Health Scotland, contact:

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