How changes in the rural economy post-Brexit might impact upon healthcare/health inequalities in rural Wales

Research Briefing

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Paper Overview:
The Research Service has established a Brexit Academic Framework agreement. Under the Framework, experts provide research and advice services to the National Assembly for Wales Commission in relation to Brexit, to supplement the work of the Research Service.

Professor Mike Woods and Dr Rachel Rahman at the Centre for Excellence in Rural Health Research, Aberystwyth University have provided the following analysis, which considers the potential impacts of both a Brexit deal and no deal scenario on the determinants of health and wellbeing in rural areas.

Any views are those of Professor Mike Woods and Dr Rachel Rahman and not those of the Research Service.
A summary of rural health and care in Wales

Approximately one third of the Welsh population live in rural areas; including the vastly rural geography of Mid and North Wales and areas of the South Wales Valleys. Whilst the general health outcomes of such populations can appear favourable this disparate population can often mask significant health and economic inequalities and challenging access to health and care services. The demographic of rural residents is not uniform and comprise a disperse demographic in terms of economic wealth, health and backgrounds.

Relative to the rest of the UK, Wales has more older people and fewer people of working age as a proportion of the population with levels predicted to rise in the coming decade. This is particularly apparent in rural areas as a result of outmigration of youth in urban areas and the in-migration of retirees. Overall a quarter of children in Wales live in poverty, but in some areas, this rises to 64%. The lower uptake of benefits such as income support or job seekers allowance suggests lower levels of poverty in rural areas; however, stigma, self-employment and part time employment status of rural residence may mask the significant rural poverty in some areas. Mental health issues affect approximately 7% of children across the Mid Wales region, whilst the proportion of adults with mental health problems represents almost two-fifths of the national figure.

The sparse geography of urban areas causes significant challenges for the access to health and social care services as well as the recruitment and retention of health and social care workforce. Limited public transport in the most rurally sparse areas are significant barriers for the high proportion of elderly residence who do not own a car or have the ability to drive. For many travel times to local health services are reported to be over 30 minutes with travel times to services offered in specialist urban centres requiring full day round trips neither of which fully account for the added challenge of public transport timings and availability which can add significantly to these averages.
Determinants of health and approach of the current review

The determinants of health can be considered at a variety of levels ranging from an individual’s demographic (e.g., age, sex or genetics), or engagement with health risk or enhancing behaviours (e.g., diet, physical activity, smoking); to the role of society (e.g., social networks, and support systems) or from the perspectives of wider social, economic and environmental determinants (e.g., housing or air quality, financial income, employment and education). Whilst some determinants act on health outcomes directly (e.g., diet affecting cardiovascular health) others act indirectly through their influence on health-related decisions, behaviours and opportunities which in turn have knock on effects to physical and mental health outcomes. For the purpose of this report, literature was considered that identified key determinants of health with specific consideration of the wider social and economic determinants that were most likely to be affected as a result of the potential Brexit outcomes, and which had relevance to the rural context.

The association between economic status and health outcomes is consistent with evidence demonstrating poorer physical and mental health outcomes for adults and children living in lower income households. Economic insecurity has also been shown to act as a determinant of poor mental health, particularly in men, irrespective of the level of income. The influence of access to employment opportunities, skills development and education are key determinants of physical and mental health outcomes acting to facilitate self-esteem, health literacy and economic security which in themselves have significant health implications. Finally, the wider consideration of the access to social capital or networks have also been considered as key to maintaining good physical and mental health. Whilst there is limited literature that specifically highlights determinants of health within rural areas; researchers have acknowledged that similar social and economic determinants are relevant but may be exacerbated or manifest in slightly different ways in comparison to urban areas. For example, whilst access to healthcare is of limited influence in comparison to the wider social determinants in an urban context, within rural areas the availability of services and health workforce play a more significant role in the health outcomes of its residents. Similarly, common determinants such as employment, skill development and social networks will be increasingly relevant within remote communities where travel and geography exacerbate the challenges of accessing these. As such, these key determinants of mental and physical health are discussed below with consideration of the impact that Brexit scenarios could have within a rural context.

Brexit Scenarios and Sources

The analysis presented in this briefing paper addresses two potential scenarios for Brexit. The first scenario is a managed departure from the European Union on 29th March 2019, as outlined in the Withdrawal Agreement or reflecting a minor modification of that agreement. The assumptions of the first scenario are that there will be a Transition Arrangement between the United Kingdom and the EU extending to 31st December 2020, during which period trade between the UK and the EU will continue under current provisions; that a negotiated Free Trade Agreement between the UK and the EU will follow the end of the Transition Period, with or without an intervening customs arrangement under the ‘backstop’ mechanism; that the UK will enter into new trade agreements with countries outside the EU after the completion of the Transition Period; that ‘Freedom of Movement’ between the UK and EU will cease at the end of the Transition Period, but that EU citizens resident in the UK before the end of the Transition Period will have a legal right to remain; and that current EU programmes in Wales will continue until 31st December 2020.

The second scenario envisages that the UK leaves the European Union on 29th March 2019 without a negotiated agreement – the so-called ‘No Deal Brexit’ or ‘Hard Brexit’. This assumptions of the second scenario are that trade between the UK and the EU would immediately revert to non-preferential World Trade Organization (WTO) terms after 29th March 2019; that ‘Freedom of Movement’ between the UK and the EU would immediately cease after 29th March 2019, though the right to remain of EU citizens resident in the UK at this date would be protected by the UK Government; and that UK participation in EU programmes would immediately cease after 29th March 2019, but that current funding awards would be guaranteed by the UK Government until the end of 2020. It also envisages that trade agreements would be negotiated between the UK and EU, and between the UK and other non-EU countries, in due course.

The analysis is also based on statements and consultation papers issued by the UK and Welsh governments on post-Brexit policy, notably the Welsh Government’s consultation paper Brexit and Our Land: Securing the Future of Welsh Farming, the UK Government White Paper on immigration, and Written Statement HCWS927 on the UK Shared Prosperity Fund. The analysis is informed by a number of other sources including Impact Assessments prepared by HM Treasury, academic reports including After Brexit: 10 Key Questions for Rural Policy in Wales by the Centre for Welsh Politics and Society/WISERD@Aberystwyth and the Centre for
Rural Economy (CWPS/CRE); briefings by organizations including the Agrifood and Biosciences Institute (AFBI), and the Rural Economy and Land Use programme (RELU); and information from the Assembly Research Service and the House of Commons Library, as well as previous studies on the rural economy, population and services, notably by the Wales Rural Observatory (WRO).

Access to Employment, Skills and Education

Modelling by HM Treasury projects a short-term decrease in GDP for the UK under all Brexit scenarios. Although the impact assessment did not model the terms of the Withdrawal Agreement as presented to the UK Parliament, analysis of proposals in the White Paper that formed the basis of negotiation projects a relatively minor reduction in total UK GDP of 3.9% when combined with stricter immigration controls. The Treasury impact assessments forecast that withdrawal from the EU without an agreement (‘No Deal’) would reduce UK GDP by 9.3% in the short term, with some recovery in the medium term, especially if a Free Trade Agreement with the EU is implemented. In both these scenarios the contraction of the economy is likely to be reflected in a reduction of jobs and employment opportunities.

Considering trade only impacts on GDP, the Treasury assessment projects very little impact on GDP in Wales from the Withdrawal Agreement/White Paper scenario (a reduction of less than 0.1%, compared with -0.2% for the UK as a whole), but a slightly more serious impact in the ‘No Deal’ scenario than the UK average (-8.1% for Wales, -7.6% UK average). The Treasury modelling of regional impacts is based on sectoral mix and as the impact assessment indicates that additional costs for the agri-food sector in a ‘No Deal’ scenario will be higher than for any other analysed sector, the impact on GDP may reasonably be expected to be greater in rural Wales than in urban Wales. The Treasury calculates that trade costs to the agri-food sector would be 29% to 42% higher than present in a ‘No Deal’ scenario, but only 1% higher than present under the terms of the Withdrawal Agreement.

Treasury projections therefore suggest a very small negative impact on access to employment as a determinant of health in rural Wales under a managed Brexit scenario, but a more severe negative impact in a ‘No Deal’ scenario.

Access to employment in rural Wales will also be affected by changes to immigration. Research by the Wales Rural Observatory recorded just over 3,000 National Insurance registrations by non-EU nationals working in rural Wales in 2011, down from a peak of over 5,000 registrations in 2007. The majority of non-UK national NI registrations in rural Wales between 2004 and 2011 were by EU nationals, with around 40% by citizens of Central and Eastern European states that joined the EU in 2004. The termination of ‘Freedom of Movement’ between the UK and EU – either at the end of a Transition Period or following a ‘No Deal’ Brexit – and the proposed adoption of an immigration policy with no preference for EEA citizens will curtail recruitment from this labour market. EU nationals currently working in
rural Wales would be entitled to stay and work under the terms of the Withdrawal Agreement, and the WRO research indicated that remaining EU migrants were increasingly ‘settled’ in rural Wales, however shorter contracts are more prevalent in some sectors, such as food processing. Most EU migrant workers in rural Wales surveyed by the WRO in 2008 and 2011 were in low-wage jobs beneath the salary threshold of £30,000 per annum proposed in the UK Government White Paper on Immigration.20

In theory, restrictions on labour immigration should lead to greater employment opportunities for local residents in rural Wales, however this assumes correspondence between employer needs and the capacities and interest of local jobseekers. The WRO Business Survey in 2013 found that 53% of businesses in rural Wales experienced difficulty recruiting appropriately qualified employees and 33% of businesses reported a shortage of applicants for jobs.21 CWPS/CRE have warned that businesses experiencing recruitment difficulties could relocate from rural Wales to more urban regions with larger labour pools if they are unable to make up shortfalls with non-UK workers, leading to the loss of jobs held by local residents.22

The negative impact on access of employment of a managed Brexit could be offset by increased employment opportunities arising from tighter restrictions on immigration following the end of the Transition Period. However, there is also a risk of localized negative impacts on access to employment from the relocation of businesses facing labour recruitment difficulties.

Access to Facilities and Healthcare

The most significant impacts on access to facilities and healthcare as a determinant of health in rural Wales are likely to come from the effect of the end of ‘Freedom of Movement’ and new immigration restrictions on recruitment to roles in health and social services. Analysis by the National Institute of Economic and Social Research (NIESR) estimates that 2.5% of the NHS workforce in Wales is comprised by EEA nationals, though it notes that the nationality of 40% of the workforce is unknown.23 NIESR also reports that around 700 doctors in Wales (around 7% of the total) are EEA nationals, as are 2.4% of employees in social care in Wales. These figures are not broken down between rural and urban areas, however there is anecdotal evidence of EEA recruitment being used to fill personnel gaps in parts of rural Wales, especially in hard-to-recruit occupations such as dentistry. EEA nationals currently working in health and social care in rural Wales should not be directly affected by changes to immigration policy, but future recruitment from the EEA will be more difficult. This could have a disproportionate impact on smaller practices and health facilities in more rural areas.

Modifications to immigration policy could make it easier to recruit health professionals from outside the EEA. Currently, around 2,500 doctors in Wales (around 25% of the total) are non-UK nationals from outside the EEA23. Recruitment from the ‘rest of the world’ could offset reduced recruitment from the EEA and health boards in rural Wales run recruitment campaigns in countries such as New Zealand; however, in a post-Brexit context there is likely to be stronger competition from other regions of the UK that have been more dependent on recruitment from the EEA.

Access to facilities and healthcare in rural Wales could potentially benefit from increased investment in health services after Brexit. Increased funding for the NHS was a key message of the Leave campaign during the 2016 Referendum and has been re-iterated by UK ministers. As health is a devolved policy area these statements do not directly apply to Wales, though an increase in health spending in England would result in consequential additional funding for the Welsh Government through the Barnett Formula and there would be likely to be significant political pressure for any additional resource to be directed to health services. However, the extent of additional resource for public spending – if any – in either Brexit scenario is disputed, and CWPS/CRE and others have highlighted concerns that as Wales is a net recipient of EU funding, any additional resource made available through the Barnett Formula may not fully compensate for lost
direct funding from the EU. In such circumstances, spending on health services in rural Wales could only be increased at the expense of activities currently in receipt of EU funding.

Organizations including the British Medical Association and the Nuffield Trust have raised concerns about additional impacts on healthcare in a ‘No Deal’ scenario, including reduced availability of some imported medicines, and increased costs of healthcare delivery. These would be common across the UK, though it is possible that in an extreme case of rationing of medical supplies rural Wales could be disadvantaged by the prioritisation of larger population centres.

The risk that access to facilities and healthcare as a determinant of health in rural Wales could be negatively impacted by reduced recruitment of personnel from the EEA may be offset by increased recruitment from outside the EEA, but there could be localized impacts in specific professions and communities, notably for smaller practices. Access to facilities and healthcare could be enhanced by increased public spending, but this is dependent on political and wider fiscal factors.

Lower Income, Economic Insecurity and Stress as Key Determinants of Mental Health

As noted above, Treasury impact assessments project a small reduction in UK GDP under a managed withdrawal from the EU, and a significant reduction in a ‘No Deal’ scenario. In addition to impacting on access of employment, an economic downturn would increase economic insecurity and job stress, especially for individuals in precarious employment or running their own businesses, impacting negatively on a key determinant for mental health. Rural Wales is particularly vulnerable to such pressures, with a higher-than-average level of self-employment (21.2% compared with 14.2% for Wales as a whole and 15.1% for the UK) and part-time employment (29.8% compared with 28.2% for Wales as a whole and 26.6% for the UK). There are particular concerns surrounding mental health in the farming sector. There is an extensive international literature on mental health and suicide risk among farmers, with, for example, a survey of Welsh farmers by Bangor University in 2002-4 recording higher ‘psychological morbidity’ among farming families than the general rural population. A separate study in Powys identified a complex set of influences on ‘farmer distress’, including pressures of expectations of being a ‘good farmer’ and perceived responsibilities to families and communities, corresponding with findings from other international research. As such, impacts on farmer mental health from Brexit may come not only from direct economic effects, but also from policy changes, and how these are perceived by farmers in relation to their self identity.

The Treasury impact assessments and independent analyses by AFBI and RELU all project a limited impact on farm incomes in a managed withdrawal scenario and a more substantial impact in a ‘No Deal’ scenario, following from changes in terms of export trade. Data from the Wales Farm Business Survey, cited in the Welsh Government consultation paper Brexit and Our Land, shows that income from agricultural sales – domestic or export – is only a very minor component in typical farm income in Wales; and as such, trade-related economic effects are unlikely to lead to widespread farm failure. However, they made be critical for farms with very small operating margins or high debt, and impacts on farmer mental health could be significant in such cases. Impacts from Brexit are also likely to be differentiated by sector. The AFBI analysis forecasts increases in prices and production in the beef, dairy, pig and poultry sectors in a ‘No Deal’ scenario, but price decreases of more than 30% for sheep. Differential performance may itself affect farmer mental
health as farmers compare their own financial position with that of other farmers.

As direct farm payments constitute the largest element of average farm incomes in Wales, changes to agricultural policy regimes may have a greater influence on the drivers of farmer mental health than direct trade-related impacts of Brexit. Research by the WRO in 2013 found that 20% of farmers would leave farming if there was a substantial reduction in direct farm payments.\textsuperscript{29} Current farm payments are guaranteed until 2022 under either Brexit scenario, and Welsh Government proposals are to continue farm support beyond this date through a dual-track system of payments for ‘economic resilience’ and ‘public goods’.\textsuperscript{28} This is likely to reduce the risk of farm failure, however uncertainty and implied changes to the role of farmers may still contribute to farmer distress.

\textbf{Brexit may have a negative impact on determinants of farmers’ mental health through increasing economic insecurity and implied changes to farmers’ roles. These are likely to be more severe in a ‘No Deal’ scenario, and may vary in significance between agricultural sectors.}

\textbf{Economic Capital and Income Inequality}

Income inequality as a determinant of health in rural Wales may be affected not only by the direct economic consequences of Brexit scenarios but also by changes to economic development and poverty alleviation programmes. Currently, rural Wales is a major recipient of support from the European Regional Development Fund (ERDF) and European Social Fund (ESF), including through the West Wales and the Valleys Less Developed Area (formerly referred to as the ‘Objective 1’ or ‘Convergence’ region) that falls beneath the threshold of GDP at 75% of the EU average.

ERDF and ESF funding would continue to the end of 2020 under the Withdrawal Agreement, and grants already awarded would be likely to be guaranteed by the UK Government in a ‘No Deal’ scenario, however these would be replaced by a new UK Shared Prosperity Fund from 2021 at the latest. Initial information about the UK Shared Prosperity indicates that it is likely to be more focused on business support and innovation than current ERDF and ESF funding; and that it will be awarded through new criteria not necessarily tied to the NUTS3 regions used for EU funding. Under these circumstances there is a strong risk that funding to rural Wales could be reduced. This could have an impact on income inequality as a determinant of health by slowing progress in raising incomes through job creation and economic development.

Specific projects concerned with addressing poverty and inequality funded under the ERDF or ESF could be affected by uncertainty over future funding. New funding programmes aimed at tackling poverty could disadvantage rural areas if they do not take account of the frequently ‘hidden’ nature of rural poverty, which is not easily captured by territorially-focused programmes for example with eligibility defined by the Welsh Index of Multiple Deprivation.\textsuperscript{30}

The replacement of EU programmes for economic development could impact negatively on economic capital and income inequality as a determinant of health if changes to criteria and emphasizes lead to a reduction of funding awarded to rural Wales.
Access to Social Capital and/or Networks and Social Isolation

EU funding has played a significant part in supporting the soft infrastructure of rural communities in Wales. The Rural Development Programme for Wales 2014-2020 (RDP) includes €56.6 million for community development, primarily through LEADER Local Action Groups (LAGs). This funding is awarded through LAGs to community projects that can include community facilities, such as play groups, and actions aimed at addressing issues of community coherence and social isolation, such as the Intergenerational Rural Resilience Project in Cardigan and Tregaron. These projects build social capital and tackle social isolation as a determinant of health.

The Welsh Government consultation paper on Brexit and Our Land signals that the RDP will finish with the end of the Transition Period in 2020 (or the end of guaranteed funding by the UK Government in a ‘No Deal’ scenario), but does not provide clear guidance on replacement of the RDP or on whether and how rural community development would be supported after this date. CWPS/CRE warn that there is a risk that funding for post-Brexit rural community development in Wales could be squeezed by other commitments, and if this were to lead to a reduction in activities and projects that enhance social capital in rural communities there could be a negative impact on social networks and social isolation as a determinant of health.

CWPS/CRE also however identify an opportunity arising from Brexit to rethink how public resource is best targeted to support viable rural communities, as boundaries between separate policy and funding silos for agriculture, regional development and public services such as health, education and transport could be removed. They suggest that this could allow for the development of a more integrated rural policy, which could in turn lead to a reallocation of funding, for example from direct farm payments, to increased support for rural healthcare, housing, schools, public transport and other community facilities that contribute positively to social capital and networks as a determinant of health. This is not however the current direction of travel of Welsh Government policy.

Conclusion

The potential impacts of Brexit on determinants of health in rural Wales are more likely to follow indirectly from decisions on post-Brexit policy than directly from the act of withdrawal from the European Union itself. The most significant direct impacts concern the effects of a projected short-term reduction in GDP and increased costs of trade on economic security and access to employment, which are likely to be minor in a managed withdrawal, but potentially severe in a ‘No Deal’ scenario. A ‘No Deal’ scenario also introduces risks of restricted access to medical supplies and increased costs of healthcare. Indirect impacts might follow from the introduction of new immigration policies that could restrict recruitment of EEA workers for healthcare positions in rural Wales, effects on farmer mental health of changes to agricultural policy and subsidy regimes; and the consequences of the replacement of EU funding programmes for economic development and rural community development for income inequality and access to social capital. Potential positive impacts on determinants of health could also follow if opportunities for easier recruitment of healthcare professionals from outside the EEA or increased funding for health services and/or community facilities are realised. The determination of these risks and opportunities will rest on policy decisions made by the National Assembly for Wales and the UK Parliament.

Future arrangements for funding for rural community development beyond the end of the Rural Development Programme could affect access to social capital and social networks as a determinant of health, with either positive or negative impacts possible depending on policy decisions.
Key Sources


29 Wales Rural Observatory (2013) An Analysis of the Socio-Economic Impact of CAP Reforms on Rural Wales, Cardiff and Aberystwyth: Wales Rural Observatory.