The gendered effects of foreign investment and prolonged state ownership on mortality in Hungary: an indirect demographic, retrospective cohort study

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Summary

Background Research on the health outcomes of globalisation and economic transition has yielded conflicting results, partly due to methodological and data limitations. Specifically, the outcomes of changes in foreign investment and state ownership need to be examined using multilevel data, linking macro-effects and micro-effects. We exploited the natural experiment offered by the Hungarian economic transition by means of a multilevel study designed to address these gaps in the scientific literature.

Methods For this indirect demographic, retrospective cohort study, we collected multilevel data related to Hungary between 1995 and 2004 from the PrivMort database and other sources at the town, company, and individual level to assess the relation between the dominant company ownership of a town and mortality. We grouped towns into three ownership categories: dominant state, domestic private, and foreign ownership. We did population surveys in these towns to collect data on vital status and other characteristics of survey respondents’ relatives. We assessed the relation between dominant ownership and mortality at the individual level. We used discrete-time survival modelling, adjusting for town-level and individual-level confounders, with clustered SEs.

Findings Of 83 eligible towns identified, we randomly selected 52 for inclusion in the analysis and analysed ownership data from 262 companies within these towns. Additionally, between June 16, 2014, and Dec 22, 2014, we collected data on 78 622 individuals from the 52 towns, of whom 27 694 were considered eligible. After multivariable adjustment, we found that women living in towns with prolonged state ownership had significantly lower odds of dying than women living in towns dominated by domestic private ownership (odds ratio [OR] 0·74, 95% CI 0·61–0·90) or by foreign investment (OR 0·80, 0·69–0·92).

Interpretation Prolonged state ownership was associated with protection of life chances during the post-socialist transformation for women. The indirect economic benefits of foreign investment do not translate automatically into better health without appropriate industrial and social policies.

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Introduction

In 2016, events such as the election of Donald Trump, the Brexit vote in the UK, and growing electoral support for authoritarian parties in continental Europe have placed the social impact of globalisation high on a political agenda. The collapse of communism in Europe in the late 1980s and early 1990s is one of the greatest socio-economic upheavals of recent history, acting as a natural experiment providing opportunities for research on the association between globalisation and health. State-owned enterprises were exposed to global markets and those that survived were integrated into the capitalist economy. These changes were accompanied by dramatic demographic upheavals. Although the transition to a market economy resulted in an initial decrease in economic activity in every country making the transition, the economic strategies pursued by these countries and the social outcomes that followed differed substantially.

Researchers have investigated the effect of privatisation and foreign investment on health for several decades. Public health researchers have focused on the opening of markets to harmful products such as tobacco. Economic nationalists have claimed that foreign direct investment extracts resources from host countries by destroying domestic production networks, repatriating profits, and relying on exploitative low-skilled jobs, and, as a result, has a harmful effect on the life expectancy of the host country’s population. However, the positive statistical association between mortality and foreign investment penetration is not equal to an association between present foreign capital inflows and mortality, which has led to misunderstandings among sociologists. Empirical studies published in the past two decades have found a beneficial health effect of foreign investment because it promotes economic development.
However, the role of foreign investment in the privatisation process was associated with increased mortality. Using company-level data, researchers argued that rapid mass privatisation increased mortality at the mass scale organisational change. They suggested that a more gradual approach to privatisation and foreign direct investment might protect against these effects because they promote the emergence of strategic investors facilitating successful firm restructuring.13,14 A 2017 article15 directly investigated the association between mortality, gradual privatisation, and foreign investment using multilevel data (individual-level, company-level, and town-level data) simultaneously.

In a controversial article, Stuckler and colleagues12 argued that rapid mass privatisation increased mortality by increasing unemployment and the stress associated with large-scale organisational change. They suggested that a more gradual approach to privatisation and foreign direct investment might protect against these effects because they promote the emergence of strategic investors facilitating successful firm restructuring.13,14 A 2017 article15 using company-level, town-level, and individual-level data in Russia also reports results showing that rapid mass privatisation was associated with increased mortality. However, the role of foreign investment and prolonged state ownership remains unexamined.

As one of the first former Soviet-style economies to open to global competition, Hungary has attracted substantial foreign investment from the early 1990s on. Hungarian policy makers were committed to building the institutions of a market economy but they also kept state ownership in several sectors of the economy to cushion the effect of rapid economic change. However, while some other central and eastern European countries saw a steady improvement in life expectancy during the 1990s, mortality in Hungary increased until 1993.16 The early and large flows of foreign direct investment into Hungary and the parallel fluctuations in the level of mortality allow us to test the long-term health effect of varying privatisation strategies.

A large body of scientific literature exists on the proximate, biomedical, and behavioural causes of mortality, and research on the social determinants of mortality in the region is growing.17 The factors that lead to the level and distribution of the main social determinants are much less well understood. To our knowledge, no research has been done analysing the association between mortality, gradual privatisation, and foreign investment using multilevel data (individual-level, company-level, and town-level data) simultaneously.

**Methods**

**Study design**

For this indirect demographic, retrospective cohort study, we collected multilevel data at the town, company, and individual level from the Hungarian arm of the PrivMort database for the time period between 1995 and 2004.18 PrivMort is a multidisciplinary project investigating the post-communist mortality crisis using multilevel data, including individual surveys conducted in Russia, Belarus, and Hungary, in addition to annual company ownership, socioeconomic, and demographic indicators from the surveyed settlements.
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