

Economic Costs of Alcohol to the Community



Alcohol Fact
Sheets for
Health
Professionals

Key Points:

Alcohol abuse cost the Australian community \$4495 million in 1992.

On a per capita basis, Western Australia can be assumed to proportionally contribute to 10% of these costs.

Tangible costs of alcohol total \$3537 million a year.

Intangible costs total approximately \$958 million a year.

Drug abuse can be economically defined as existing when it involves a net social cost to the community additional to the resource costs for the provision of that drug.¹ The abuse of drugs represents a significant financial burden to the Australian community in general. These costs may take the form of treatment, loss of productivity in the workplace, property crime, and theft.² The social and emotional costs are additional consequences to the community's well-being.

National Costs

Alcohol costs account for 24% of the cost of all drug abuse in Australia.¹

A national study aimed at establishing the cost of drug-related problems estimated that alcohol abuse cost the Australian community \$3995.7 million in 1988.¹ This figure rose to \$4494.5 million in 1992.¹ Productivity losses, road crashes, health care costs, loss of life and illness contributed to the total.³

State Costs

Proportionately, the costs to the Western Australian community would have totalled approximately \$450 million in 1992 for alcohol abuse.

Avoidable Costs

Avoidable costs of alcohol abuse consist of both intangible and tangible costs. When comparing alcohol, tobacco and illicit drugs, alcohol has the highest proportion of avoidable costs associated with it. Avoidable costs are those which are amenable to public policy initiative and behaviour changes. Examples include productivity losses, health care costs, road crash costs, and resources used in addictive consumption. The total avoidable cost of alcohol abuse for Australia in 1992 was \$3790.8 million which was 84.3% of the total costs of drug abuse.¹

Public Opinion

The 1995 National Drug Strategy household survey asked respondents how they would allocate \$100 over the areas of education, treatment and law enforcement in order to reduce the use of a particular drug. When asked about ways to best reduce alcohol consumption, respondents preferred to have most money spent on education (\$42.20) followed by law enforcement (\$29.30) and treatment (\$28.30).⁴

The economic costs of alcohol to the community can be broken down into tangible and intangible costs. Tangible costs are those that can be given marketplace value and intangible costs are those that cannot.³

TANGIBLE COSTS

Tangible costs are those such as hospital costs which can be valued in the market. In practice, any reduction in these costs is likely to result in resources becoming available to the community for consumption or investment.³

The tangible costs of alcohol abuse for Australia in 1992 were estimated to be approximately \$3536.9 million. These costs included loss of production (excluding the cost of absenteeism), health care, accidents, consumption, law enforcement, alcohol education campaigns, research and welfare.¹

In 1992, tangible costs of alcohol abuse represented 31% of the total cost of all drug use. These costs are higher than costs for illicit drugs (11%) but less than the costs for tobacco (58%).¹

Tangible costs include those costs which reflect the harm associated with the use of alcohol as well as costs which are not associated with harm.

Health Care

Health care costs relate to the increased costs of medical services, hospital beds, nursing home beds and ambulance services, after adjusting these costs for the effects of the savings which have resulted from alcohol-induced premature deaths.³

In 1993, alcohol-related bed-day costs added up to \$32.1 million in Western Australia.⁵

In 1992, four per cent of males and two per cent of females in Australia had hospital episodes caused by hazardous and harmful alcohol consumption.⁶

Health care is considered to be an avoidable cost of alcohol abuse, costing \$97.4 million in 1992.¹

Accidents

In Australia, the total costs attributable to road accidents caused by alcohol abuse in 1992 were estimated to be \$767.1 million.¹ The proportion of road traffic deaths due to alcohol has steadily decreased from 42% in 1982 to 30% in 1992.²

Absenteeism

In Australia, costs to industry from alcohol-related absenteeism are estimated to be approximately \$500 million per year. This estimate is based on a 1994 study of Telecom employees which sought to identify the effects of alcohol-related absenteeism and illness. The authors suggest that these figures are likely to be underestimates of the total cost of alcohol-related absenteeism.⁷

Production Losses

Production costs relate to the estimated loss of production resulting from past alcohol-caused deaths and from present alcohol-induced morbidity. Net production losses to Australian industry in 1988 were estimated to be \$1.1 billion rising to \$1.4 billion in 1992.¹

Law Enforcement

A New South Wales study reported that 62% of incidents attended by police were judged to be alcohol-related.⁵





Private Expenditure

Private expenditure on alcohol has been steadily declining since the early 1980s when it peaked at just over seven per cent of total private final consumption expenditure. On average, Australians spent \$442 each on alcohol in 1992 1993.²

Benefits of Alcohol Consumption

Benefits (negative costs) were experienced for female mortality and female nursing home bed-days. These result from much stronger evidence that alcohol consumption has a significant protective effect in relation to certain medical conditions such as ischaemic heart disease and strokes. The interpretation of these benefits is that female mortality and nursing home costs would have been higher in the absence of alcohol consumption.¹

Other tangible costs include consumption, research, education campaigns, and welfare. While all of these costs are considered significant, there is little data available to quantify these costs.

INTANGIBLE COSTS

Intangible costs are those such as suffering, which when reduced will not result in resources becoming available to the community for consumption or investment. While important, these costs do not represent a call on the productive resources of the community.

In 1992, intangible costs of alcohol were estimated to be \$957.6 million.¹

In Australia there were an estimated 6500 deaths due to alcohol in 1992, representing over a quarter of all drug-caused deaths and five per cent of deaths from all causes.² Seventeen per cent of deaths attributable to drug abuse in Western Australia in 1993 were due to alcohol.⁸

In 1992, the intangible costs of alcohol abuse associated with mortality cost a total of \$580.6 million. This includes the cost of loss of consumption by the deceased and value of loss of life to the deceased.¹

While road crashes due to alcohol abuse have considerable tangible costs to the community, the pain and suffering of road accident victims is also of significance and gave rise in 1992 to an estimated intangible cost of \$377.1 million.¹



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