



Economic Costs and Benefits

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Social Costs of Alcohol

Many discussions of alcohol problems contain estimates of their economic costs to society. These include costs such as those to the health service of treating alcohol-related disease and to the criminal justice system of dealing with alcohol related crime and disorder.

In Europe, the social costs of alcohol are normally estimated to amount to between 1% and 3% of GDP. For the European Union in 1998, the social costs of alcohol have been estimated at between \$65 billion – \$195,000 billion at 1990 prices. These figures are comparable to, or even exceed, government expenditures on social security and welfare, and approximate to 25% of health service expenditure.¹

However, this whole area of enquiry is complex and difficult. There are uncertainties and disagreements about what should be included as a cost and how costs are to be measured. There are a number of different methodologies that can be employed in estimating social costs, and these can have different implications for policy. For example, it is easy to misunderstand all social cost estimates as representing the amount of money that would be saved if there were no alcohol problems. In reality, not all costs are avoidable, and the avoidance or suppression of one activity might result in the adoption of alternative activities which generate costs of their own.

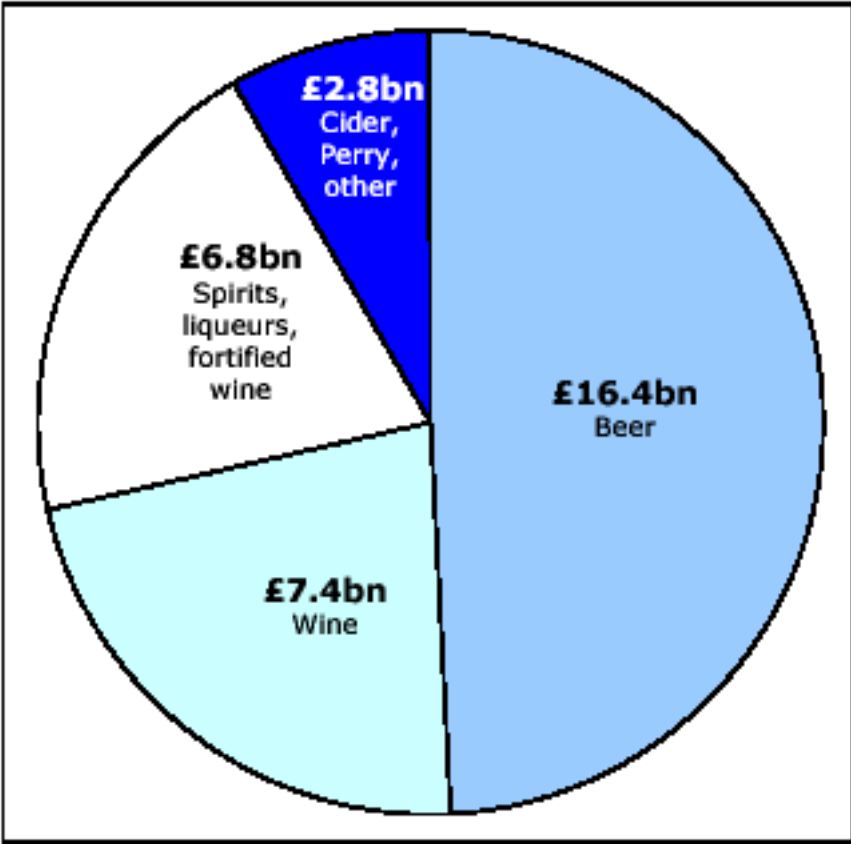
A basic question is, costs to whom? In relation to public policy, the costs falling exclusively on the alcohol consumers themselves are normally deemed irrelevant, the only ones that matter being the external costs i.e those which are transferred to third parties, - other individuals and businesses and the public purse.

This is because (in a free market and non-paternalistic society) it is only the external costs that are seen as justifying government intervention as a means of correcting market failure. For example, it is the external costs of alcohol that provide the social welfare justification for alcohol excise duties, for without this special tax, the consumer would escape making any direct contribution to the costs that alcohol consumption imposes on society arising from the need to provide policing and health services that would otherwise be unnecessary, costs not otherwise covered by the price of the product charged across the counter to the individual consumer.

The social costs of alcohol also need to be considered in relation to the economic benefits of alcohol consumption such as the provision of employment and tax revenues. These benefits may be more straightforward to calculate than some of the costs. However, in relation to the ultimate questions to which answers are often sought concerning whether in net terms society is better or worse off economically because of alcohol consumption, there is room for debate about both sides of the equation. If some of the costs can be challenged on the grounds, for example, that if people were not drinking, or not drinking too much, they would be doing something else that could be equally harmful, by the same token, if people were not spending money on alcohol they would be spending it on other goods or services that would also provide employment and tax revenues.

The total value of the UK alcoholic drinks market exceeds £30 billion.

UK ALCOHOLIC DRINKS MARKET BY VALUE, 2000



Source: UK Drinks Market (2001)

In 2001, £36,636,000,000 was spent on alcohol, equivalent to 5.8% of all consumer expenditure.

UK consumers spend more of their disposable income on alcohol than on, for example, personal goods and services, fuel and power or tobacco.

Britons spend around £17 billion in pubs each year. In 2002, the nightclub market was worth £1.7 billion.²

In comparison, Britons spent £7.2 billion on activities such as going to the cinema, theatre, museum and bingo combined. £7.4 billion was spent on gambling in 2002.

Analysis of average weekly expenditure by households in the UK in 2000-01

	£
Leisure goods and services	70.40
Housing	63.90
Food and non-alcoholic drinks	61.90
Motoring	55.10
Household goods and services	54.60
Clothing and footwear	22.00
Alcoholic drink	15.00
Personal goods and services	14.70
Fuel and power	11.90
Fares and other travel costs	9.50
Tobacco	6.10
Miscellaneous	0.70
Total expenditure	385.70

(All amounts are rounded up to the nearest 10p)

This table underestimates expenditure on alcohol as it accounts for less than 60% of the alcohol known from Customs and Excise to have been purchased.

In 2000-2001, excise duties and VAT on alcoholic drink raised over £12 billion, equivalent to 4.3% of all Government tax revenue.

It is stated by the Cabinet Office Strategy Unit that the alcoholic drinks industry generates approximately one million jobs across the whole supply chain, from farming through distribution to pubs, bars and restaurants. It is also stated that one in four of all new jobs created are in tourism-related industries, many of them being in hospitality and leisure.³

The British Beer and Pub Association stated that there are 1,396,000 people employed in hotels, restaurants, pubs and clubs.⁴ However, this includes an unknown number of casual workers, so the number of full-time jobs could be greatly less than this.

Against these benefits, the Strategy Unit⁵ calculated that for England and Wales the costs of some but not all adverse consequences of alcohol consumption to be in the region of £20 billion.

Overall Costs of Alcohol Misuse (£ millions)⁵	
	Estimate
Health Care Costs	
<i>Hospital inpatient (& day) visits</i>	
Directly attributable to alcohol misuse	126.2
Partly attributable to alcohol misuse	399.8
Hospital outpatient visits	445.6
Accident and emergency visits	305.2
Ambulance services	205.0
Practice nurse consultations	19.3
NHS GP consultations	48.7
Laboratory tests	N/A
Dependency prescribed drugs	1.6
Other health care costs	35.3
Specialist treatment services	96.2
Workplace and Wider Economy Costs	
Lost output due to absenteeism	1,785.9
Lost output due to reduced employment	2,153.7
Lost output due to reduced employment efficiency	N/A
Lost output due to premature death	2,481.8
Costs of alcohol-related and alcohol specific crime	
<i>Criminal Justice System costs</i>	
Alcohol specific offences	29.9
Alcohol-related offences	1,720.4
Property/health and victim services	2,521.2
Costs in anticipation of crime (alarms etc)	1,494.6
Lost productive output of victims	969.8
Emotional impact costs for victims of crime	4,678.6
Drink driving	
Criminal Justice System costs	77.3
Cost of drink-driving casualties	
<i>Lost output</i>	
Serious casualties	33.8
Slight casualties	25.9
<i>Medical and ambulance</i>	
Serious casualties	20.5
Slight casualties	11.0
<i>Human costs</i>	
Serious casualties	232.8
Slight casualties	123.8
Total Costs	20,044.0

Annual societal cost of alcohol misuse in Scotland at 2001/02 prices.⁶

Health service resource use associated with:	Annual resource use	Annual cost (£ million)
GP consultations	211,516	3.6
GP-prescribed drugs	6% of drugs prescribed by GPs for substance dependency	0.2
Consultations with practice nurses, district nurses and health visitors	No information currently recorded. Unable to quantify.	
Laboratory tests	147,256	1.8
Hospitalisation days	257,775	54.3
Accident and emergency attendances	187,951	9.6
Outpatient visits	93,999	8.1
Day hospital attendances	44,800	3.1
Community psychiatric team visits	8% of total community psychiatric team expenditure	4.0
Ambulance journeys	64,382	9.1
Health promotion/prevention by Health Education Board for Scotland (HEBS) Scottish executive and health boards	HEBS, Drinkwise, Alcohol Development Officers	1.2
Health board expenditure to alcohol-related voluntary organisations	Funding to 25 organisations	0.6
Total for NHS Scotland		95.6
Social work services and associated organisations resource use:		
Children and Families	24% of total expenditure on children's and families' social work	71.8
Community Care	20% of social work expenditure on the substance misuse client group	2.2
Criminal Justice social work	27% of total expenditure on criminal justice	11.1
Children's Hearing System	6% of expenditure	0.8
Voluntary and private sector alcohol services	Expenditure directly on alcohol misuse unavailable	
Total for social work services		85.9

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Criminal justice system and emergency services resource use associated with:	Annual resource use	Annual cost (£ million)
Custodial sentences	565,172 days in prison	46.1
Court time and legal costs for prosecutions	49,336 offences proceeded against	19.8
Property damage	Unable to quantify	
Police time	26% of all expenditure	201.8
Fire services time on alcohol-related road accidents	Unable to quantify	
Fire service time on alcohol-related fires	Unable to quantify	
Drink-driving campaign	£141,000 on the drink driving campaign and £70,000 to be spent on research	0.2
Total for criminal justice system and emergency services		267.9
Wider economic costs due to :	Annual resource use	Annual cost (£million)
Inability to work (unemployment)	3,536 individuals	84.0
Working days lost (absenteeism)	1,164,344 days absent from work	119.0
Working days lost caring for those with alcohol problems	Unable to quantify	
Premature mortality in the working population (discounted)	1,641 deaths resulting in 12,546 working years of life lost	201.5
Reduced productivity in the workplace	Unable to quantify	
Total wider economic costs		404.5
Human costs		
Premature mortality in the non-working population (discounted)	15,457 non-working life years lost	216.7
Morbidity	Unable to quantify the cost of reduced quality of life	
Total human costs		216.7
Total annual societal cost		1070.6

References:

¹ E.Gutjahr & G.Gmel in Klingemann & Gmel

² Mintel as reported on Daily Political Newswire 2 October 2003

³ Address given by Andrew Cunningham at conference: Managing Nightlife in Urban Areas, 27 November 2001

⁴ British Beer and Pub Association Statistical Handbook 2003-11-14

⁵ Strategy Unit: Alcohol Misuse: How much does it cost? September 2003

⁶ Scottish Executive Health Department, *Alcohol Misuse in Scotland: Trends and Costs* by Julian F Guest and Susan Varney (Catalyst Health Economics Consultants Ltd)

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