

## Counting the Cost: The Impact of Young Men's Mental Health on the Australian Economy

### Executive Summary

The human and economic costs of mental illness in Australia can no longer be ignored.

The Australian Institute of Health and Welfare reports that approximately 26.5% (one in four young people in this age group) will experience a mental health difficulty.

In spite of this, rates of help-seeking among young Australians, and particularly among young men, remain low. Tragically, suicide continues to be the leading cause of death for young men in Australia, accounting for 22% of all deaths; with male youth suicide rates in rural areas double those of metropolitan areas.

This report analyses the resultant cost and impact on the Australian economy, highlighting the threat to productivity from poor mental health among young men. In presenting this new evidence, this report provides a call-to-action, demonstrating the importance of a community-wide response to raising awareness, prevention and treatment of young men's mental illness.

### The cost of mental illness on the Australian economy

Our research identifies costs and impacts to the Australian economy and productivity which are borne across a range of sectors and institutions. The findings of our research and modelling reveal the broader costs to individuals and employers:

- **Mental illness in young men aged 12-25 costs the Australian economy \$3.27 billion per annum or \$387,000 per hour across a year in lost productivity**
- **The Federal Government bears 31% of this cost via direct health costs, disability welfare payments, unemployment benefits and the direct costs of imprisonment**
- **Australia loses over 9 million working days per annum to young men with mental illness. On average they have an additional 9.5 days out of role per year**
- **Young men with mental illness have much lower rates of educational attainment compared to their peers, further limiting their skills development and long term reduced earning potential by \$559 million per year**

Government incurs significant costs associated with the provision of mental health services:

- **In 2008, the overall cost of spending on mental health care was \$5.32 billion, with the Australian government spending \$1.92 billion and the states and territories spending \$3.22 billion**
- **In addition to the costs associated directly with specialist mental health care, the government also bears a broad range of costs required to support people with mental illness - including income support, housing services, domiciliary care and employment and training opportunities**
- **The 2010 National Health Report estimated that with government costs alone, for every dollar spent on specialised mental health care, an extra \$2.30 is spent on other services to support people with mental illness – equating to \$4.4 billion (2008 prices)**

## **Our recommendations**

The reality is that the costs of young men's poor mental health are already being felt throughout Australia's economy. In uncovering these costs, this report provides new insights that can be used to guide further reforms and investment decisions. Failure to act presents a serious threat to Australia's future productivity and to the individual prosperity of young men affected with poor mental health. Coordinated activity from all sectors – business, government, and communities – holds the promise of considerable economic and individual benefits.

The findings of this study point to both the productivity opportunities and risks associated with the mental health of young men.

### **Recommendation 1: Efforts should be made by all sectors of the community to support the engagement of young men to achieve higher levels of education.**

- 1.1 Improve secondary, tertiary and vocational educators' levels of understanding of mental health, including the identification of disorders and awareness of support and referral services available. This should include professional development and tools for teachers and other educators
- 1.2 Increase awareness and access for young men to educational alternatives such as apprenticeships
- 1.3 Strengthen cross sector partnerships between employers and education providers to create stronger pathways from school to work for young men with mental illness. This should include focus on key transition points such as moving from school to further studies or employment

### **Recommendation 2: Efforts should be made by all sectors of the community to support young men with mental illness to engage in more productive employment.**

- 2.1 Improve employers' level of understanding of mental health, including the identification of disorders and awareness of support and referral services available
- 2.2 Initiate new partnership models between government, mental health service providers, NGOs, employers and business groups to create strategies that proactively support employees' good mental health and ongoing engagement in the workforce
- 2.3 Identify new partnership models between employers, business groups, government and NGOs to drive a whole of community response. This includes creating new collaborative funding and service delivery models

### **Recommendation 3: Efforts should be made by all sectors of the community to evaluate the effectiveness of current policy responses and investments in mental health.**

- 3.1 Undertake further targeted research to evaluate the efficacy of existing mental health programs and interventions with a particular emphasis on prevention and early intervention
- 3.2 Undertake return on investment analysis to inform future investment in young men's mental health with a particular emphasis on prevention and early intervention
- 3.3 Enhance reporting of government funded initiatives targeted at supporting young men with mental illness to achieve full benefits of investment.

## Summary of Findings

### Cost and Impact: Individuals

Our analysis found that individuals bear costs of mental illness of **\$2.016 billion** per annum.

Young men bear the cost of factors associated with health, reduced productivity and education, lost income and mortality.

#### Health

- The total direct health cost per year is \$556 million, of which \$179 million is incurred by individuals

#### Employment

- Young men with mental illness have on average 4.7% lower hourly wages relative to their peers with the same level of educational attainment. The cost to individuals in reduced personal income due to lower wages is \$445 million per annum
- 48.1% of young men within the cohort have no qualifications beyond high school. The cost to individuals in reduced personal income due to lower wages is \$114 million per annum
- Young people with mental illness have lower levels of educational qualifications and when they do gain employment tend to obtain lower skilled poorly paid roles

#### Unemployment

- Young men with a mental illness are 1.6 times more likely to be unemployed relative to a person who does not have a mental illness
- Lost income in young men with mental illness who are actively looking for work but unemployed is \$168 million per annum

#### Imprisonment

- The ABS National Survey of Mental Health and Wellbeing reports that 5% of all mentally ill people have ever been incarcerated in their lifetime, relative to 1.8% of the non-mentally ill. This reflects a relativity of 2.8 times the prevalence of non-mentally ill young men
- Lost income in young men with mental illness who are imprisoned is \$54 million per annum

#### Disability

- The literature shows there are wider indirect costs to individuals with mental illness and their families such as carers' costs, psycho social costs such as stress, pain and suffering and other indirect costs such as reduced income for carers. These costs have not been quantified in this model

#### Mortality

- Mortality rates are significantly higher for young men with mental illness compared to young men who do not have mental illness
- Loss of lifetime earnings in young men due to mental illness related mortality – including from death by suicide – is \$1.057 billion per annum

## Cost and Impact: Employers

Our analysis found that employers bear direct costs of mental illness of **\$237 million** per annum. This is primarily due to the costs associated with additional personal leave taken by the cohort.

There are, however, impacts from other cost categories that have an indirect impact on employer productivity.

### Health

- Work that is both stressful and insecure can increase the risk of depression up to 14 times relative to jobs in which individuals feel a sense of control and are securely employed
- The negative impact that poor mental health has on the individual may extend to co-workers who may experience increased stress through having to carry out additional work tasks

### Employment

- Young men with mental illness take an additional 9.5 days out of role per year over and above people without mental illness. This equates to a loss of over 9 million working days due to mental illness across Australia per year
- The marginal cost to employers due to additional days out of role is \$237 million per annum

## Cost and Impact: Government

Our analysis found that government bear costs of mental illness of **\$1.019 billion** per annum.

Government bear the cost associated with health, welfare (unemployment and disability pensions) and imprisonment.

### Health

- The total direct health cost per year is \$556 million, of which \$377 million is incurred by government
- Government spend on mental health increases significantly from 15-25 years (\$205m) to 25-34 years (\$306m) and again for 35-44 years (\$268m), before declining until the 75+ group

### Unemployment

- Young men with a mental illness are 1.6 times more likely to be unemployed relative to a person who does not have a mental illness
- Marginal unemployment payments disbursed to young men with a mental illness cost the government \$62 million per annum
- This is an opportunity cost to government

### Imprisonment

- The government incurs \$207 million per annum in direct costs related to the higher rates of imprisonment experienced by young men with a mental illness
- The health costs of caring for mentally ill prisoners is not included in this study due to lack of data

### Disability

- Disability welfare payments paid to young men who experience poor mental health cost the government \$373 million per annum

### Mortality

- Potential cost offsets to government associated with premature mortality (such as future health costs avoided) were not included in the model

## Key Conclusions & Recommendations

### **Key Conclusion 1: Education plays a significant role in the employment outcomes of young men with mental illness.**

Research shows that education and training opportunities can act as a protective factor against mental health issues, whilst secure and good employment outcomes provide young people with the possibility of financial independence, a sense of control, self-confidence and social contact.

Education plays a significant role in the employment outcomes of young men who experience mental illness. In Australia, individuals who have a degree or a higher qualification earn wages 30 to 45% higher than people with otherwise similar characteristics who have not completed Year 12. A university education increases men's wages by approximately 38% and also increases the probability of employment by 15-20%. Education levels also influence the types of employment men are able to obtain.

Of particular significance, mental illness typically begins in adolescence/early adulthood - a time when individuals are completing their education and pursuing employment options. The impact of youth mental illness on schooling through factors such as increased absenteeism, dropout rates and difficulty learning can compound the potential negative impacts on employment outcomes.

The impact of reduced education is very real for young men with mental illness, earning 4.7% lower hourly wages compared to their peers, and almost half do not have a qualification beyond high school. As a consequence, young men with mental illness are often employed in lower skilled, poorly paid roles.

Higher education is positively linked to wages and productivity. Higher wages in turn also have an impact on health and education through providing the resources to access educational and health services.

### **Recommendation 1. Efforts should be made by all sectors of the community to support the engagement of young men to achieve higher levels of education:**

- 1.1 Improve secondary, tertiary and vocational educators' levels of understanding of mental health, including the identification of disorders and awareness of support and referral services available. This should include professional development and tools for teachers and other educators
- 1.2 Increase awareness and access for young men to educational alternatives such as apprenticeships
- 1.3 Strengthen cross sector partnerships between employers and education providers to create stronger pathways from school to work for young men with mental illness. This should include focus on key transition points such as moving from school to further studies or employment

**Key Conclusion 2: Employers bear a significant impact in direct costs of absenteeism and reduced productivity. Employers and business groups are crucial stakeholders.**

All indications show Australia will continue to face productivity challenges into the future, with an ageing population in particular expected to place increased pressure on Australia's labour supply. The 'Australia to 2050: future challenges' report highlights the need to improve labour participation rates, suggesting that 'policy responses need to reflect a sound understanding of the complex nature of mature age participation.'

The report goes on to acknowledge the importance of policies that target improvements in education and health – factors which are also crucial to the workforce participation of the 496,000 young men experiencing mental illness.

For men who are suffering from poor mental health in particular, research shows that treating or preventing mental illness can potentially improve their chances of participating in the workforce by up to 30%.

Addressing poor mental health in the workplace environment has the direct benefit of the avoiding costs of absenteeism and also has the potential to reduce flow-on effects to co-workers by not having to carry additional work tasks.

Engaging employers and business groups in the development of and delivery of mental health initiatives will assist in cultivating a larger, higher skilled and more productive Australian labour force.

**Recommendation 2. Efforts should be made by all sectors of the community to support young men with mental illness to engage in more productive employment:**

- 2.1 Improve employers' levels of understanding of mental health, including the identification of disorders and awareness of support and referral services available
- 2.2 Initiate new partnership models between government, mental health service providers, NGO's, employers and business groups to create strategies that proactively support employees' good mental health and ongoing engagement in the workforce
- 2.3 Identify new partnership models between employers, business groups, government and NGOs to drive a whole of community response. This includes creating new collaborative funding and service delivery models

**Key Conclusion 3: Deepening our understanding of the efficacy and return on investment of current policy responses and programs in mental health is critical to driving targeted investment.**

The cost impact identified in this report suggests that further analysis of current policy responses to young men's mental health be undertaken to determine the efficacy and impact of these interventions.

As our findings suggest, investing smarter and earlier in young men has the potential to reduce the mental health cost and impacts on individuals and the Australian economy. Further research on return on investment for existing mental health services targeted at young men is essential to inform investment decisions.

Smarter and targeted investments across the spectrum of mental health services will have the added benefit of improving national productivity. By increasing the capacity of young men with mental illness to meaningfully participate in work and community life the prosperity of the nation will be improved.

**Recommendation 3. Efforts should be made by all sectors of the community to evaluate the effectiveness of current policy responses and investments in mental health:**

- 3.1 Undertake further targeted research to evaluate the efficacy of existing mental health programs and interventions with a particular emphasis on prevention and early intervention.
- 3.2 Undertake return on investment analysis to inform future investment in young men's mental health with a particular emphasis on prevention and early intervention
- 3.3 Enhance reporting of government funded initiatives targeted at supporting young men with mental illness to achieve full benefits of investment. Key objectives of these enhancements are to drive greater accountability of public spend and to provide better transparency and access to program performance and evaluation

**The full report can be downloaded at [www.inspire.org.au](http://www.inspire.org.au) and [www.youngandwellcrc.org.au](http://www.youngandwellcrc.org.au)**

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