

# PRESS RELEASE

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## Government is losing at least £37,000 in net tax contributions from each depressed young person

The government is losing billions of pounds a year in net tax contributions from each depressed person aged between 16 and 40 years of age, according to research by the Intergenerational Foundation ([www.if.org.uk](http://www.if.org.uk)). The problem comes on top of the enormous cost that the government is likely to dump on young and future generations as the country comes out of lockdown.

Pioneering research compared tax contributions from depressed and non-depressed groups of young people and the effect of having depression on an individual's employment outcome, usage of health services, receipt of disability benefits, and likelihood of premature mortality. It found that having depression between the ages of 16 to 40 years old amounts to a fiscal loss of around £2.9 billion per cohort. The research estimates that the government could fund 35 ten-session courses of cognitive behavior therapy (CBT) for EACH depressed person using the amount of money it is losing in net tax contributions.

On average, people with depression throughout adulthood are four times more likely to fall into NEET status (not in employment, education or training) than the non-depressed population. The "**Costing Young Minds**" report argues that by increasing spending on depression earlier in life, in a way that halves the size of the impact that depression has on the likelihood of becoming NEET, the government could retrieve lost net tax contributions of £1.74 billion per cohort.

Angus Hanton, IF Co-founder comments, "Protecting the mental health of our youngest generation must be a policy priority especially in the light of COVID-19, and as this research makes plain, earlier intervention also makes sound economic sense when 50% of all mental health disorders start by 14 years of age and 75% by 24 years of age."

Norman Lamb, Chair of the Children and Young People's Mental Health Coalition, who provided the foreword for the report adds, "I have seen first-hand some decision-makers' reluctance to embrace prevention. But the evidence is clear: if a Government's goal is to allocate resources as effectively as possible, there is no better deal than preventing mental health problems occurring and worsening."

While the government has promised to prioritise young people in future funding decisions, 26% of children referred to specialist children's mental health services were rejected in 2018/19. Furthermore, children had to wait an average of two months before treatment commenced in 2019, with some children actually removed from waiting lists during the COVID-19 crisis, such as those under the care of Norfolk and Suffolk NHS Foundation Trust.

Data have already emerged revealing that Covid-19 is exacerbating unemployment among young people, with those under 25 years of age two and a half times more likely to be working in a sector that has shut down than other generations. It means that the prevalence of mental health disorders in young people is likely to increase at a time when mental health services become more vulnerable to cuts as the country confronts the cost of responding to the pandemic.

Mark Connoll PhD, research contributor comments, “While these figures are likely an underestimation of the true fiscal loss to government, they demonstrate how, through investment in earlier intervention, the government could save 60% of the cost.

“The findings also stress the importance of taking a broader economic perspective when evaluating costs of a health condition and looking beyond only health service costs. In the case of depression in young people, many of the costs are not healthcare related. Rather they are costs of unemployment, disability and lost tax revenues that fall on many sectors of government.”

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**Note to Editors:**

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- The report defines net tax contributions as the total value of taxes paid to the government minus government expenditures, including both direct taxes (Income Tax, National Insurance Contributions, and council tax) and indirect taxes.
- Figures are for the United Kingdom.
- Government expenditures refer to the public money spent on providing services such as education, healthcare and social security benefits to citizens.
- A discount rate of 3.5% was applied, as recommended by NICE guidelines to give the Net Present Value of net tax revenue.
- Calculation:

$$NPV \text{ of Net Tax Revenue}_j = \sum_{(i=1)}^{Lp} \frac{Tax_{ji} - Government \text{ expenditure}_{ji}}{(1+r)^i} \quad (1)$$

$$Tax_{ji} = Direct \text{ Tax}_{ji} + Indirect \text{ Tax}_{ji} \quad (2)$$

$$Government \text{ expenditure}_{ji} = Education_{ji} + Healthcare_{ji} + Social \text{ Security}_{ji} \quad (3)$$

Where j = Depression status; i = Year; r = Discount rate; Lp = Life expectancy (until 40 years old).

- 50% of all mental health disorders start by 14 years of age, and 75% by 24 years of age: <https://www.mentalhealth.org.uk/statistics/mental-health-statistics-children-and-young-people> - :-:text=Mental\_health\_statistics%3A\_children\_and\_young\_people,problem\_in\_any\_given\_year.&text=50%25\_of\_mental\_health\_problems,and\_75%25\_by\_age\_24