

Taxing sugary drinks would boost productivity, not just health

June 21 2017, by Lennert Veerman



Credit: AI-generated image ([disclaimer](#))

Many studies have looked at the potential benefits of a sugar tax in terms of the longer, healthier lives and reduced health expenditure associated with tackling obesity.

But our new [study](#) goes one step further. It predicts that higher taxes on

sugar-sweetened drinks will benefit the wider economy through increased economic productivity, by having more, healthier people in paid and unpaid work.

Obesity delivers a double whammy

A total of [63% Australian adults and one in four children](#) are overweight or obese, making this both a health and an economic problem.

Obesity increases the risk of diseases including cancer, diabetes, heart disease and stroke. Obesity has also been estimated to cost Australia about [A\\$8.6 billion](#) a year or [more](#). Not only does obesity drive up [health-care costs](#), by causing illness and premature death, it also reduces people's ability to work and contribute to the economy.

Added sugar contributes energy to the diet, but no useful nutrients. Increasingly, health experts suggest we should be treating sugar, and in particular sugar in soft drinks, as we do tobacco or alcohol, by taxing it to reduce consumption and so reduce obesity rates.

Taxing sugar is not a new concept. In the 1700s, Scottish economist Adam Smith [wrote](#) in *An Inquiry into the Nature and Causes of the Wealth of Nations*:

Sugar, rum, and tobacco, are commodities which are nowhere necessities of life, which are become objects of almost universal consumption, and which are therefore extremely proper subjects of taxation.

Smith's proposal to tax sugar was not aimed at improving health, as it is today. Now organisations like the [World Health Organisation](#), the [Australian Medical Association](#) and many [non-governmental organisations](#) are advocating a tax on drinks with added sugar, as part of wider efforts to tackle obesity.

What we did and what we found

Until our study, few worldwide had looked at the wider economic effects of taxing sugary drinks.

We modelled the Australian adult population as it was in 2010, in terms of consumption of sugar-sweetened drinks, body mass, obesity-related diseases, death rates, and the amount of paid or unpaid work people were likely to do.

We compared a scenario in which the prices of sugared drinks went up by 20%, compared to business-as-usual, and estimated what difference this would make for the number of obese people, the number of years lived, and for overall economic production.

Further reading: [Dietary guidelines don't work. Here's how to fix them](#)

We used data from the [2011-12 Australian Health Survey](#) and found that obese people aged 15-64 had a lower chance of being in a paid job, compared to people whose weight was normal. We assumed this was related to illness.

Of people in work, obese workers needed more sick leave, but only about an hour a year.

We also looked at unpaid work (like cooking, cleaning and caring, and volunteer work). We included gains due to more people surviving for longer due to lower body weight. We assumed that if work was not done as unpaid work, somebody would have to be hired to do it (so there would be a replacement cost).

Our results show that a 20% sugar tax would mean about 400,000 fewer people would be obese. Three-quarters of these would be in the

workforce, so that about 300,000 fewer employed people would be obese.

Over the lifetime of the adult population of Australia in 2010, this would add about A\$750 million to the formal, paid economy, due to more, healthier people producing more goods and services.

The gains in unpaid work were even larger at A\$1.17 billion. Fewer obese people means more healthy people, who have a greater likelihood to do unpaid [work](#), in the household or as volunteers.

These indirect economic benefits from increased employment in the workforce and from greater participation in [unpaid work](#) were larger than the savings in health care costs, which we estimated at about A\$425 million over the lifetime of the [adult population](#).

In all, the tax could deliver over A\$2 billion in economic benefits in indirect economic benefits plus health care savings. And that does not even include the value of the gains in people's quality of life and how long they lived.

The exact size of the benefits depend on assumptions about what people would drink (and eat) if they drink fewer sugared drinks. In this study, we used [Australian evidence](#) that found an increase only for diet drinks, which contain virtually no energy.

Other evidence finds a sugar tax reduces the consumption of sugar and energy-rich foods, but may also lead to people eating fewer fruit and vegetables and more salt. This would reduce the health benefit, and that study suggests it would be even better to tax *all* sugar instead of only sugared drinks.

Nevertheless, [the available evidence](#) shows health benefits of increased

taxation of sugared drinks.

What's happening overseas?

Studies in other countries have predicted similar effects of a sugar tax on the proportion of obese [people](#). For example, a 20% tax is expected to reduce the number of [obese people](#) by about [1.3% in the UK](#) and [2-4% in South Africa](#).

And [an increasing number of countries](#), including the UK, France, Denmark, Finland, Hungary and recently [Estonia](#) and [Saudi Arabia](#), have already announced or have implemented a tax on drinks with added sugar.

If Australia introduces a 20% tax on [sugar](#)-sweetened drinks, as many health advocates and economists have called for, that would not only improve [health](#), our results predict it would also promote economic growth.

Provided by The Conversation

Citation: Taxing sugary drinks would boost productivity, not just health (2017, June 21) retrieved 1 May 2024 from

<https://medicalxpress.com/news/2017-06-taxing-sugary-boost-productivity-health.html>

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