



Australian Studies of the Economic Costs of Domestic Violence^{*}

*Lesley Laing
Clearinghouse Director*

Introduction

Domestic violence affects all members of the community:

Male violence against women is enormously costly – to the women who experience violence directly, to women generally whose lives are constrained by the fear of violence, and to governments whose expenditures are swollen by responding to some of the consequences of violence. Individual men, including those who are non-violent, also lose as a result of the barriers that are created by violence towards women.
(Kerr & McLean 1996, p. 5)

Since the late 1980s, efforts to estimate the economic costs of domestic violence have been undertaken in many countries around the world, including Australia, in order to gain government and community support for efforts to prevent and overcome the effects of domestic violence. This paper describes Australian studies of the economic costs of domestic violence, outlines the methodological

^{*} Copyright © Australian Domestic and Family Violence Clearinghouse 2001

approaches used and some of the challenges involved in placing a monetary value on the impacts of domestic violence.

Definitions

Direct / tangible costs

The terms *direct* or *tangible* are commonly used interchangeably to refer to the 'costs associated with the provision of a range of facilities, resources and services to a woman as a result of her being subject to domestic violence,' (KPMG Management Consulting 1994, p. 22). Examples are the costs of crisis services, accommodation services, legal services, income support and health/medical services. Most studies find that the bulk of direct costs are borne by *governments*.

Indirect / intangible costs

The terms *indirect* and *intangible* costs are also used interchangeably and refer to the pain, fear and suffering incurred by women and children who live with domestic violence. These kinds of costs are sometimes termed the indirect social and psychological costs of domestic violence (Laurence & Spalter-Roth 1996).

In several of the Australian studies, *indirect* costs also include 'the flow-on costs that are incurred when a woman leaves a violent relationship.' (KPMG Management Consulting 1994, p. 22). Examples cited include replacing damaged or lost household items, replacing school uniforms and equipment when children change schools and settlement of a partner's outstanding debts.

Income lost or forgone because of the impact of violence on women's workforce participation is another type of indirect cost included in all Australian studies. Most studies find that *women* bear the bulk of the indirect costs of domestic violence.

Opportunity costs

Opportunity costs are 'the costs of opportunities which the participant has lost as a result of being in or leaving the violent relationship. An opportunity cost is the cost of the opportunity forgone when the woman's options are limited by the circumstances in which she finds herself.' (KPMG Management Consulting 1994, p. 23) Examples would be loss of employment promotion opportunities and quality of life. Opportunity costs are often included as part of indirect costs.

Australian studies

Australia was one of the first countries to attempt to calculate the economic costs of domestic violence. Five state/territory-based studies were undertaken between the late 1980s and the mid 1990s. The sixth and most recent Australian study (Henderson 2000) focuses specifically on the economic costs of domestic violence to businesses and the corporate sector in Australia.

Queensland, 1988

The first Australian study was conducted in Queensland in 1988, commissioned by the Queensland Domestic Violence Taskforce (Roberts 1988). It sought to measure the economic costs of services provided for female victims of domestic violence (direct costs), and the costs of productivity foregone by the victims (indirect costs). Roberts interviewed twenty women who had experienced domestic violence about services used by themselves and their children as a result of experiencing domestic violence from the time when they first sought help.

Total *direct* costs for the *sample* of 20 women were **over \$1 million dollars**, with an average cost of services for a victim per case of just over \$51,000 dollars. The services that incurred the highest costs were health services (for adults and children) and social security. Total *indirect* costs (lost productivity) for the *sample* amounted to **\$113,697**.

Projected for the Queensland female population using a prevalence rate for severe domestic violence of 3 per cent, total annual costs of domestic violence in Queensland were estimated at **over \$108 million** (Roberts 1988 p. 466).

Queensland, 1993

This study explored the economic costs of “violence against women”. Ten women who had experienced domestic violence were interviewed to ‘assess the direct and opportunity costs for the victims themselves, their children, other people and providers of goods and services used by the victims.’ (Blumel et al. 1993, p. 9). Separate samples of women who had experienced rape and other forms of sexual assault were surveyed, and the results for each of the three groups presented separately.

This study also used a prevalence rate of 3 per cent, estimating the total annual costs of domestic violence in Queensland at **over \$556 million**. Both direct and opportunity costs were calculated, with opportunity costs referring to women’s lost wages due to absenteeism from work.

Tasmania, 1994

Using a retrospective case study methodology, forty women were selected to represent a broad range of the population subject to domestic violence taking into account demographic, geographic and service-use characteristics. Data collected through in-depth interviews examined:

- ‘the nature and type of violence;
- factors hindering and assisting participants to seek help sooner;
- the ongoing impacts of the violence on women and children’s emotional and psychological well being;
- the range, duration and frequency of services used;

- pathways women took in accessing services;
- impact on employment;
- lost opportunities attributable to living in a violent domestic relationship.’
(KPMG Management Consulting 1994, p. 12)

The *total direct and indirect* costs of domestic violence for the Tasmanian *sample* of 40 women were estimated at nearly **\$4 million**. Total *indirect* costs for the *sample* came to **\$886,609** with the largest proportion comprising costs associated with replacement of lost and damaged property.

The average *direct* cost per “case year” was \$9,458. By extrapolating this figure across the Tasmanian female population using 1991 Tasmanian census data and an annual prevalence rate of 1.8 per cent, total *direct* costs of domestic violence were estimated at **\$17.671 million annually**.

Northern Territory, 1996

Northern Territory study (KPMG Management Consulting 1996) was conducted by the same consultancy firm which had carried out the Tasmanian study, and a similar methodology was used. In-depth interviews were conducted with a purposive sample of 32 women victims of domestic/family violence recruited via newspaper and media coverage of the study and selected to reflect a range of characteristics including geographical spread; NESB and Aboriginal women; age; marital status; service usage characteristics; and length of time since establishing a violence-free life (KPMG Management Consulting 1996, p. 53).

In the Northern Territory study, the total *direct* costs of domestic violence for the *sample* of 32 women were calculated at approximately **\$2.7 million**. *Indirect* costs were estimated at over **\$1.2 million** for the *sample*, with an average of \$38,563 per case.

The average direct cost per case year was \$11,812. Extrapolated across the Territory, using the Women's Safety Survey's incidence rate of 2.6 per cent (Australian Bureau of Statistics 1996), it was estimated that the *direct* cost of domestic violence to the Northern Territory each year is **\$8.86 million** (in 1996 dollars).

New South Wales, 1991

This study (Distaff Associates 1991) was conducted as part of the development of the NSW Domestic Violence Strategic Plan. The methodology in this study did not involve conducting interviews with women who had experienced domestic violence. The total costs of domestic violence in NSW were calculated by extrapolating the available data relating to costs of domestic violence services across the estimated population of women who were experiencing domestic violence

To calculate the number of victims of domestic violence in NSW, the study divided the presumed population into three stages:

- 'non-acknowledgment and non-disclosure' – comprising women who were living in unacknowledged violent relationships and who had not accessed either formal or informal support. They represent the hidden victims of domestic violence.
- 'acknowledgment and help seeking' – comprising women who have sought services to assist them with violent situations.
- 'building an alternative life' – comprising women who have left violent relationships and are getting on with their lives.

Total costs of domestic violence in NSW were estimated at **\$1.5 billion** on an annual basis, based on 1990 data (Distaff Associates 1991).

This study found that it is women who bear the greatest share of the economic costs of domestic violence. The share of costs borne by government was found to be approximately half that borne by women. The federal government was found to carry the largest proportion of government costs through expenditure on income support, housing and medical costs. State government costs were primarily incurred through the provision of court and legal services, child welfare and family support programs.

Brisbane City Council study into the costs of domestic violence to the business and corporate sector, 2000

Most Australian studies included in their calculations, the economic impact of domestic violence on women's participation in the workforce; for example, through days lost from work due to the violence and being unable to maintain or gain employment. The most recent Australian study, which was commissioned by the Brisbane City Council Lord Mayor's Women's Advisory Committee (Henderson 2000), reviews and synthesises the qualitative and quantitative costs associated with employment identified in earlier Australian studies and attempts to comprehensively estimate the annual cost of domestic violence to Australian employers.

Henderson identified and costed (where possible) the impacts of domestic violence in four areas:

- direct costs to employers from absenteeism, staff turnover and lost productivity;
 - indirect costs, defined as employer tax share of public sector costs in the provision of services to victims and perpetrators of domestic violence;
 - direct and opportunity costs to victims, perpetrators, family and friends;
- and,

- the shared impact of domestic violence on the wider community, including inter-generational costs.

Henderson points out that the direct costs to employers are not only end costs in themselves, but affect other aspects of an organisation, such as distribution and production, which can result in late deliveries, bringing about customer dissatisfaction and lost business. Similarly, costs to women, such as the inability to work caused by domestic violence, have a ‘domino-effect’ on other sectors of the society: income forgone by victims results in diminished profits for business and decreased tax revenue to government.

The annual cost of domestic violence to the business/corporate sector was estimated at **\$1.5 billion** with an approximate cost of an individual case of domestic violence being estimated at almost \$10,000.

Comparing Australian studies

Methodology

All of the Australian domestic violence studies can be described as ‘aggregate’ studies (Laurence & Spalter-Roth 1996), which attempt to calculate a total cost for domestic violence:

In order to model the direct costs of domestic violence, we need to know how many people are affected, how many are using services as a result of domestic violence, how much of those services they are using, and the costs of these services. (Laurence & Spalter-Roth 1996, p. 14)

All but one (NSW) of the state/territory studies employed a “retrospective case study” methodology. This involved interviewing a sample of women affected by domestic violence about the services used, calculating the costs involved for the sample, and extrapolating from this to arrive at an annual cost of domestic violence to the state/territory.

Prevalence rates

Different annual prevalence rates of domestic violence – ranging from 1.8 per cent to 4.5 per cent – were used in the studies, most of which were completed prior to the availability of national incidence and prevalence data from the Women’s Safety Survey (Australian Bureau of Statistics 1996). The prevalence rate used clearly has implications for the size of the costs calculated. For example, it is pointed out in the report of the Tasmanian study, that, had it employed the same rate as that used in the NSW Study (4.5%), the total direct costs of domestic violence in Tasmania would be \$44.177 million, rather than the \$17.671 million calculated using the chosen prevalence rate of 1.8 per cent.

Who bears the costs?

Several of the studies addressed the question of the proportion of costs of domestic violence borne by different parties. The Tasmanian and Northern Territory studies found that governments bear the largest proportion of direct costs and that women bear the largest proportion of indirect costs. This, however, may be a consequence of the similar methodologies applied in these two studies.

The NSW study concluded that victims incur around double the costs of those borne by governments and the community. These findings are difficult to compare with those of the Tasmanian and Northern Territory studies, because of differences in methodology. The NSW study combines what would be termed in other studies ‘direct’ and ‘indirect’ costs, and divides its results into ‘costs to women’ and ‘costs to governments’ (rather than dividing costs into ‘direct’ and ‘indirect’). A considerable proportion of the costs to women identified the NSW study were the costs of income forgone (e.g. \$125 million for stage one women through being forced to give up paid employment or not returning to work; \$528 million for stage two women who move from paid employment to social security).

However, these indirect costs were not monetised in the Tasmanian and Northern Territory studies.

The Henderson study makes the point that the direct costs of services provided by government are in fact indirect costs to the business sector, incurred through taxation. The Tasmanian and Northern Territory studies make a similar point – i.e. that the whole community incurs high costs due to domestic violence - by denoting the share of costs paid by governments as ‘community/government’.

Approach to dealing with indirect/intangible costs

The studies were more successful in calculating the *direct* costs of domestic violence, than in calculating the *indirect* costs. For example, the Tasmanian and Northern Territory studies calculated a monetary value for some indirect costs (e.g. replacement of household goods), they were unable to accurately extrapolate this across the state population as part of total costs.

However, the largest component of indirect costs is the pain and suffering experienced by the victims/survivors of domestic violence. Estimating this type of cost is a challenge for all work in this field:

The largest cost element for all violent crimes is lost quality of life and related fear, pain and suffering. It may also be the cost item with the highest degree of uncertainty. (Miller, Cohen, & Wiersema 1996, p. 21)

No Australian study attempted to quantify these costs, though most studies included qualitative data from interviews with women about the debilitating and terrifying impacts of domestic violence on their lives and the lives of their children. On one hand it can be said that the failure to monetise these costs results in a gross under-estimation of the costs of domestic violence. However, it is argued strongly by some that the intangible costs of pain, fear, suffering and damaged life opportunities for women and children cannot and should not be monetised. For example:

...in no way can we “cost” the horrifying physical and psychological damage of this violence to the women and their children. (Kerr & McLean 1996, p. 3)

Those who take this approach contend that including the voices of women and children via qualitative data is essential to reporting the total ‘costs’ of domestic violence (e.g. Stanko et al. 1998).

Intersection of domestic violence and child abuse not addressed

While all the studies included some of the costs to children affected by domestic violence, none explicitly tackled the impact on costings of recent findings regarding the intersection of child abuse and domestic violence. For example, it is argued by some in the child protection literature that all children exposed to domestic violence should be regarded as experiencing emotional/psychological child abuse (e.g. Somer & Braunstein 1999). Adopting this broad definition of child abuse in the context of domestic violence would have immense implications for costings of the impact of domestic violence. Even if this most extreme position were not adopted, research indicates that domestic violence and child abuse co-occur in 30-60 per cent of cases (Edleson 1999). Hence calculations of the costs of domestic violence that include costs of child abuse in 30-60 per cent of cases, and which attempt to include costs of pain and suffering and long-term effects on life opportunities, would be significantly higher than estimates to date.

Recommendations for future studies

In order to better identify the costs of domestic violence, the following are recommended in the literature:

- Improved data collection – both to better estimate the prevalence of domestic violence and to better identify service usage and costs by victims and perpetrators of domestic violence;

- Implementation of evaluations of interventions/programs, using experimental or quasi experimental designs, as an essential foundation for conducting cost- effectiveness and cost-benefit analyses;
- Improved methodologies for calculating the long-term social, educational, and psychological impacts of domestic violence on women and children.

References

Australian Bureau of Statistics 1996, *Women's Safety Survey, Catalogue No. 4128.0*, Australian Government Publisher, Canberra.

Blumel, D. K., Gibb, G. L., Innis, B. N., Justo, D. L. & Wilson, D. W. 1993, *Who Pays? The Economic Costs of Violence against Women*. Sunshine Coast Interagency Research Group Queensland for the Women's Policy Unit.

Distaff Associates 1991, *Costs of Domestic Violence* (Report 073058770), NSW Women's Co-ordination Unit, Sydney.

Edleson, J. L. 1999. 'The overlap between child maltreatment and woman battering', *Violence Against Women*, vol. 5, no. 2, pp. 134-154.

Henderson, M. 2000, *Impacts and Costs of Domestic Violence on the Australian Business/Corporate Sector*. Lord Mayor's Women's Advisory Committee, Brisbane City Council, Brisbane.

Kerr, R. & McLean, J. 1996, *Paying for Violence: Some of the Costs of Violence Against Women in B.C.* Ministry of Women's Equality, British Columbia.

KPMG Management Consulting 1994, *Economic Costs of Domestic Violence in Tasmania, Tasmanian Domestic Violence Advisory Committee*. Office of the Status of Women, Hobart.

KPMG Management Consulting 1996, *The Financial and Economic Costs of Domestic Violence in the Northern Territory*, Office of Women's Policy, Northern Territory Government, Domestic Violence Strategy, Darwin, NT.

Laurence, L. & Spalter-Roth, R. 1996, *Measuring the Costs of Domestic Violence Against Women and Cost-Effectiveness of Interventions: An initial assessment and proposals for further research*, Institute for Women's Policy Research, Washington.

Miller, T. R., Cohen, M. A. & Wiersema, B. 1996, *Victim Costs and Consequences: A New Look - National Institute of Justice Research Report*, National Institute of Justice, U.S Department of Justice, Office of Justice Programs, Landover, Maryland.

Roberts, G. 1988, 'Domestic violence: costing of service provision for female victims - 20 case histories', in *Beyond These Walls: Report of the Queensland Domestic Violence Task Force to The Honourable Peter McKechnie, M.L.A., Minister for Family Services and Welfare Housing*, ed. Queensland Domestic Violence Task Force, Brisbane, pp. 429-503.

Somer, E. & Braunstein, A. 1999, 'Are children exposed to interparental violence being psychologically maltreated?' *Aggression and Violent Behaviour*, vol. 4, no. 4, pp. 449-456.