

THE IMPOVERISHING EFFECT OF TOBACCO USE IN VIET NAM

Introduction

This Policy Brief examines the impoverishing effect of tobacco use in Viet Nam in 2018. Tobacco-related expenditure reduces the disposable resources of a household to meet basic needs, pushing a substantial number of people into poverty. This analysis shows that those tobacco-related expenditures exacerbate poverty in Viet Nam by increasing the number of poor people and also making their living conditions worse. Moreover, tobacco spending increases inequality by expanding the gap between different income groups in society since it creates more severe burdens on low-income households.

Key Findings

1. Tobacco use increases the risk of living in poverty

- Spending on tobacco creates a substantial trade-off for a household's basic needs such as food, education, and housing for the entire family—especially for those with a constrained budget. In the Vietnamese context where the social insurance system is weak and health care is often expensive, tobacco use potentially increase the risk of living in poverty.
- In 2018, tobacco spending resulted in 305,090 more people living in the state of secondary poverty, even though their total resources were higher than the NPL. One third of them are children who should be considered as unwitting victims of adults' tobacco use. **In addition, tobacco use increased the poverty rate by 0.31 percentage points and expanded the poverty gap from 2.20% to 2.28%.**

Main concepts

- National Poverty Line (NPL):** a monetary threshold under which a household is considered to be living in poverty.
- Head Count Ratio (HCR):** the share of population living below the NPL.
- Secondary Poverty:** the state of households who have sufficient resources to live above the NPL, however, they may suffer similar or worse living conditions in comparison to those in primary poverty due to their tobacco-related expenditures.
- Poverty gap:** the relative difference between the average monetary living conditions of the poor and the NPL.
- Tobacco-related expenditure:** (i) the expenditure on tobacco products and (ii) the tobacco-related health.

Table 1. Changes in HCR and number of poor after deducting tobacco-related expenditures in Vietnam

	All Population
(1) Official estimates	
Total Population	96,895,332
HCR – Population Below NPL (%)	8.35
Population Below NPL	8,091,801
<i>Of which: Children</i>	3,457,064
<i>Proportion of Children in Population Below NPL (%)</i>	42.72
Poverty Gap (%)	2.20
(2) Combined effect of Tobacco-related expenditure	
HCR - Population Below NPL (%)	8.67
Population Below NPL	8,396,891
<i>Of which: Children</i>	3,574,849
<i>Proportion of Children in Population Below NPL (%)</i>	42.57
Poverty Gap (%)	2.28
Impoverishing effect (%)	0.31
Impoverishing effect (No. of people)	305,090
<i>Of which: Children</i>	117,785
<i>Proportion of Children in impoverished population (%)</i>	38.60

Source: Authors' calculations using VHLSS 2018; GSO-WB; Anh et al. (2016)

2. Low- and middle-income households spend more and also a greater proportion of income on tobacco compared to that of high-income households.

Tobacco use has a greater impact on poverty in rural areas: both the smoking prevalence and the proportion of low-income people are significantly higher. In 2018, families in urban areas suffered a modest amount of tobacco-spending related poverty of 0.06%, compared to more than seven times that (0.44%) in rural areas.

3. Families in rural areas and from ethnic minorities suffer more severe impoverishing impacts of tobacco use than other groups.

- Tobacco use also has more substantial impacts on ethnic minorities than the Kinh and Hoa groups. Tobacco related-spending increased the number of poor people by 0.76% in the case of the ethnic minority populations, which resulted in a poverty gap of 0.3%. In contrast, tobacco-related spending put 0.23% of the Kinh and Hoa population into poverty and expanded the poverty gap by 0.04%.
- Although tobacco use creates almost no burden on high-income households in Viet Nam, due to the low price of tobacco products, it severely affects the families in the lowest income quintile.

Reference

Anh, P. T. H., Ross, H., Anh, N. Q., Linh, B. N., & Minh, N. T. (2016). Direct and indirect costs of smoking in Vietnam. *Tobacco control*, 25(1), 96-100.

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Conclusion

This analysis confirms the considerable impoverishing effect of tobacco use in Viet Nam. Together, tobacco spending and tobacco-related medical expenditures increased the number of people living in poverty by 305,090 (0.31% of the country’s population) in 2018.

Importantly, these research results should be considered as a **conservative lower bound estimate of the impoverishing effect of tobacco use** due to the narrow subset of tobacco-related diseases covered in the analysis. In other words, the real effects on poverty in Viet Nam are almost certainly worse than presented here.

Policy Recommendations

- Reducing tobacco use is necessary for public health improvement and poverty reduction in Viet Nam and allows households to direct disposable resources to basic needs.
- National targeted programs aimed at marginalized populations should be implemented together with tobacco taxation to limit tobacco use and help those vulnerable groups climb out of poverty.