



Tobacco & Poverty

Tobacco Use Makes the Poor Poorer; Tobacco Tax Increases Can Change That

Introduction

Tobacco use is the world's leading cause of preventable diseases and premature death. A disproportionate amount of the death and disability caused by addiction to tobacco falls on poor and uneducated people around the world. While public health efforts have been instrumental in reducing the death toll from tobacco use, a growing understanding of consumer behaviors, especially those of the poor, point to opportunities for making significant reductions in global tobacco use.

This brief looks at the impact of tobacco use and tobacco taxation on the poor across the world. The findings in this brief are primarily based on a comprehensive [report](#) from the US National Cancer Institute (NCI) and the World Health Organization (WHO) on the economics of tobacco and tobacco control, particularly in low- and middle-income countries (LMICs).

Global Impacts of Tobacco Use

Approximately 21% of the world's population aged 15 and over (about 1.1 billion people) are current smokers—about 35% of males and 6% of females.

Tobacco is a highly addictive substance, and the vast majority of users smoke on a daily basis. An estimated 7% of youth ages 13–15 worldwide smoke cigarettes, including about 9% of boys and 4.5% of girls.

Tobacco use is estimated to cause 12% of all deaths among persons aged 30 and over worldwide. This represents about 14% of deaths from noncommunicable diseases (such as cancer,

cardiovascular disease, and lung disease) and 5% of deaths from communicable diseases (such as tuberculosis and lower respiratory tract infections).

Impacts of Tobacco Use on the Poor

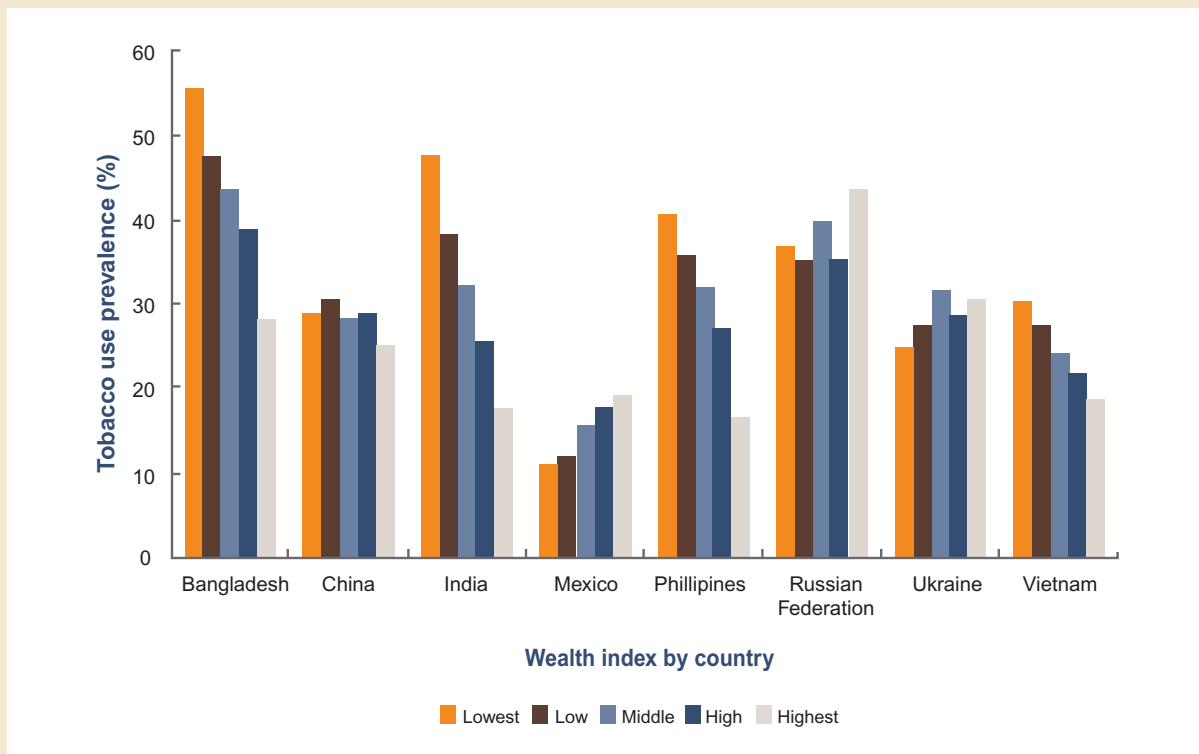
Tobacco use is concentrated among the poor and other vulnerable groups. In most countries, poor and less educated people are more likely to smoke than their more affluent, better educated counterparts, which contributes to a disproportionate burden of disease and death among the poor (Figure 1). This inequality in smoking explains a significant proportion of socioeconomic health disparities in many countries.

Tobacco use in poor households exacerbates poverty. Tobacco use increases health care costs, reduces income, and decreases productivity. At the same time, spending on tobacco products diverts limited family resources from spending on basic needs like food and shelter, not to mention healthcare and education. In China, for example, one study showed that families with high smoking levels spend 46% less on education than non-smoking families.

The global health and economic burden of tobacco use is enormous and increasingly borne by LMICs. Already, around four in five smokers around the world live in LMICs. While smoking rates are falling at the global level, the total number of smokers worldwide is not decreasing, due to population growth in many LMICs. The number of tobacco-related deaths is projected to increase from about 6 million to 8 million annually by 2030, with more than 80% of these occurring in LMICs.

Figure 1

Prevalence of current tobacco use among adults by wealth



Source: Adapted from NCI & WHO 2016

Note: Adult is defined as age 15 and older; data from 2008 to 2010.

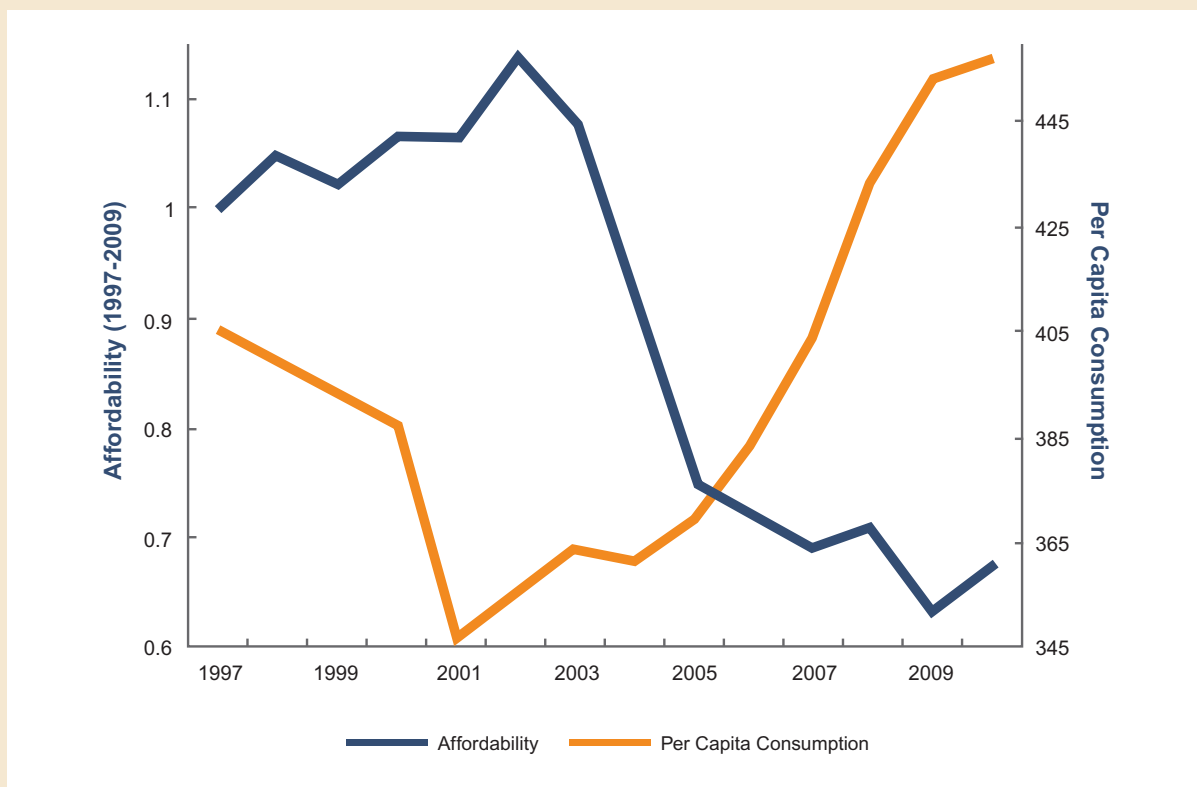
Impact of Tobacco Taxes & Prices on the Poor

Comprehensive tobacco control policies work. Research indicates that tobacco control policies and programs lead to reductions in tobacco use among all population groups. Typical tobacco control policies include tax and price increases, comprehensive bans on tobacco industry marketing activities, graphic health warning labels, smoke-free policies, and programs that encourage smokers to quit.

The retail price of cigarettes is a key determinant of cigarette consumption, and changes in the retail price can change consumption. Tobacco consumption is sensitive to changes in consumer income—the more affordable a product, the more likely it is to be purchased. Although cigarettes have become relatively less affordable in high-income countries (HICs) they have become more affordable in LMICs. This factor has contributed to decreased consumption of tobacco in HICs but increased consumption in LMICs. As an example, Figure 2 shows trends in consumption and affordability in Bangladesh.

Figure 2

Affordability and tobacco use, Bangladesh, 1997-2010



Sources: Euromonitor International, Economist Intelligence Unit, and World Bank

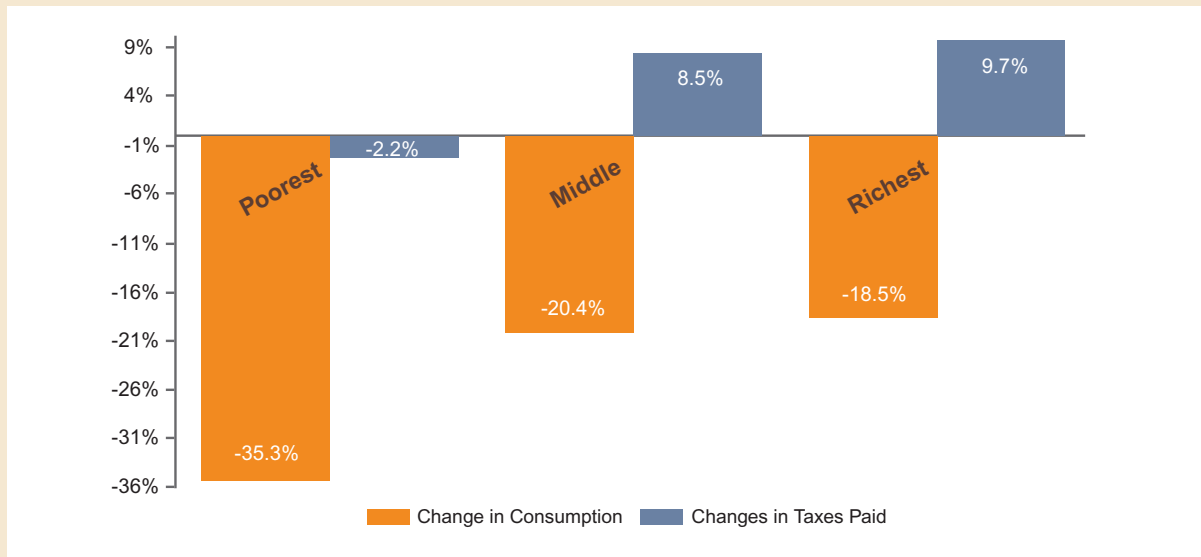
Significant increases in tax and price lead to greater reductions in tobacco use among the poor than among the rich. An extensive and increasingly sophisticated body of research demonstrates that higher tobacco taxes and prices lead to reductions in tobacco use by motivating current users to quit, preventing young people from taking up tobacco use, and reducing the frequency and intensity of consumption among those who continue to use tobacco. This research also indicates that vulnerable populations, most notably young people and lower income populations, are more responsive to tax and price increases than older people and higher income populations. Estimates from a recent study in Turkey, for example, show that a 25% cigarette tax increase would not only reduce smoking among the

poorest by over 35%, it would also reduce the amount of cigarette taxes paid by the same group by over 2%. (Figure 3).

Increasing cigarette prices can benefit the poor in the long term. Price increases for tobacco through higher taxes will have an immediate positive effect on available income for smokers who quit. In the longer term, lower medical expenses and an increase in working years through fewer tobacco-related diseases, would increase this positive impact. One recent World Bank study for Chile shows that a reduction in medical expenses is the main driver of the long-term increase in net incomes because of the reduction in tobacco-related problems, which often require expensive treatments.

Figure 3

Who pays and who benefits from a 25% tax increase in Turkey?



Source: Adapted from Önder & Yürekli (2014)

Tobacco tax increases reduce the disproportionate burden that tobacco use imposes on the poor. Tobacco use is concentrated among the poor and other vulnerable groups, and tobacco use accounts for a significant share of the health disparities between the rich and poor. These disparities are exacerbated by a lack of access to health care and the diversion of household spending from other basic needs, such as food and shelter, to tobacco use. Moreover, tobacco use contributes to poverty, as illnesses caused by tobacco lead to increased health care spending and reduced income.

Can Tobacco Taxation Make a Difference for the Poor?

Economic studies from many parts of the world make clear three conclusions:

- Tobacco use and its consequences have become increasingly concentrated in LMICs and, within most countries, among their poorer populations.

- Tobacco use in poor households exacerbates poverty by increasing health care costs, reducing incomes, and decreasing productivity, as well as diverting limited family resources from basic needs and investments in nutrition and education, which interrupt the vicious cycle of poverty.
- By reducing tobacco use among the poor, tobacco control policies, particularly significant increases in tobacco taxes, can help break the cyclical relationship between tobacco use and poverty, Figure 4).

Tobacco taxes provide the opportunity to dedicate tax revenues specifically to health programs that benefit the poor.

Despite the considerable revenues generated by tobacco taxes, governments invest only a small fraction of these revenues in tobacco control or in other health programs. WHO estimated that in 2013–2014, global tobacco excise taxes generated nearly US\$ 269 billion in government revenues, but governments spent a combined total of less than US\$ 1 billion on tobacco control. Spending new tobacco tax revenues on

programs targeting the poor can enhance the progressive effects of a tax increase. In the Philippines, for example, most of the new tax revenues from the country's 'sin tax' reforms are dedicated to a national health insurance program that expands access to health care for low-income Filipinos.

Conclusion

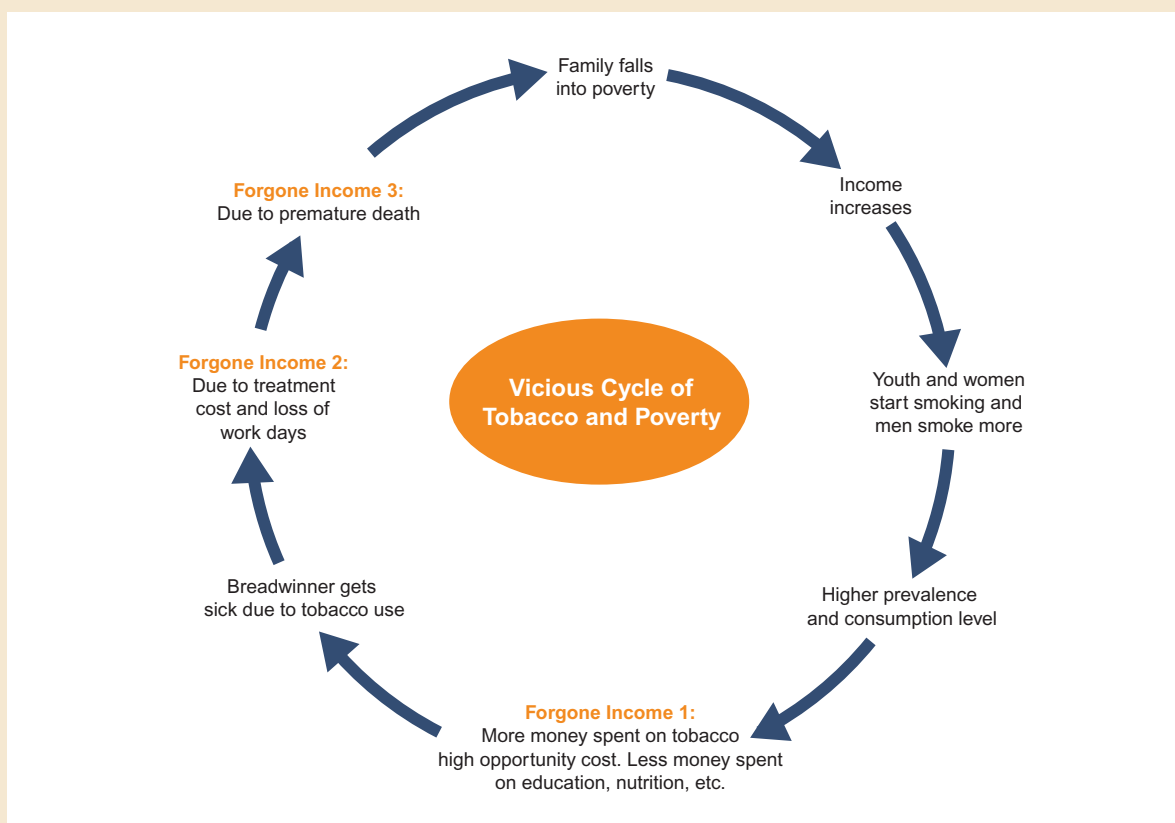
Increasing tobacco taxes and tobacco prices remains a core measure to reduce demand for tobacco. Dedicating part of the tobacco tax revenues for comprehensive tobacco control or health promotion programs (i.e., earmarking), as some countries have already done, increases the public health impact of higher tobacco taxes.

Other tobacco control strategies, including public education efforts, graphic health warnings, advertising bans, and the provision of free or low-cost cessation services, can also contribute to reducing tobacco use in all socioeconomic groups.

Typically, a lag of a couple of decades or more occurs between the initiation of smoking at an early age and the resulting illnesses or premature death, often in middle age. Countries at the lower end of the world's economic spectrum, and hence at risk of experiencing the fastest growth in tobacco consumption in tandem with economic development, can anticipate reaching the peak effects of the tobacco use epidemic about halfway into the 21st

Figure 4

The vicious cycle of tobacco use and poverty



Source: NCI & WHO (2016)

century. As development gradually transforms low-income countries into middle-income countries, their poorest populations will be the most susceptible to the epidemic of tobacco use. Already, several national development agencies are incorporating tobacco control as a development strategy.

Implementing effective tobacco control measures makes it possible that tobacco could become a minor public health problem rather

than the public health catastrophe it currently is in most countries. Implementation of strong, comprehensive tobacco control strategies has reduced tobacco use in many countries at all income levels. Claims that tobacco control will have an adverse economic impact are not supported by the evidence; in fact, research consistently shows that implementing effective tobacco control measures makes sense from both an economic and public health standpoint at all income levels.

Endnotes

1. U.S. National Cancer Institute and World Health Organization. *The Economics of Tobacco and Tobacco Control*. National Cancer Institute Tobacco Control Monograph 21. NIH Publication No. 16-CA-8029A. Bethesda, MD: U.S. Department of Health and Human Services, National Institutes of Health, National Cancer Institute; and Geneva, CH: World Health Organization; 2016.
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About Tobacconomics

Tobacconomics is a collaboration of leading researchers who have been studying the economics of tobacco control policy for nearly 30 years. The team is dedicated to helping researchers, advocates and policymakers access the latest and best research about what's working—or not working—to curb tobacco consumption and the impact it has on our economy. As a program of the University of Illinois at Chicago, Tobacconomics is not affiliated with any tobacco manufacturer. Visit www.tobacconomics.org or follow us on Twitter www.twitter.com/tobacconomics.