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Dear Madam/Sir

Tobacco Consumption, Tobacco Control and the Triple Challenges of Poverty, Unemployment and Inequality

In response to the recent call for submissions, we would like to submit the following letter to Committee 1 of the High-Level Panel on the Assessment of Key Legislation, on behalf of the Economics of Tobacco Control Project, based at the University of Cape Town. Our website is found at www.tobaccoecon.org.

The negative consequences of tobacco consumption on public health and household budget-allocations are well documented throughout the economics and public health literature [1-6]. So too is the strong relationship between tobacco consumption and poverty [3, 4, 7-9]. Tobacco consumption has consequently been identified as an important contributor to inequality and intergenerational poverty across numerous developing countries [3, 4, 6, 7, 10, 11]. In reviewing legislation that has played (and should play) a noteworthy role in combatting the triple challenge of poverty, unemployment and inequality, it would be an oversight to ignore the role of tobacco control.

Currently more than a billion people worldwide (about 13.5% of the world's adult population) consume tobacco [2]. Approximately 6 million people die prematurely from tobacco-related illnesses each year - primarily due to heart attacks, strokes, lung diseases, and a range of cancers [2]. If current trends continue, this number is expected to increase to 8 million by 2030. Consequently, tobacco is the single largest cause of preventable chronic disease and death across the globe [1], and the burden of tobacco-related illness and death is currently felt most heavily among low- and middle income countries (LMICs) [2].

This tobacco epidemic is a particular concern for South Africa, not only because of the health consequences of tobacco use, but because of the direct connection between tobacco consumption and poverty – as will be explained below. Across the globe there is evidence of a strong link between tobacco and poverty: in most countries smoking prevalence is highest among lower socioeconomic groups [12-14]. In LMICs, men in the poorest quintile are 2.5 times more likely to smoke than those that are the wealthiest quintile [14].

In South Africa 20.1% of the adult population smoke tobacco products [15]. In contrast to many LMICs, where prevalence is higher among the poor than the rich, the prevalence of smoking among South Africans is fairly equally spread across the income range [16]. These smokers, especially at the lower end of the income distribution, deprive their families of income that could otherwise be spent productively – shifting vulnerable households below the poverty line, and already poor households into even direr poverty.

A recent study, based in India, suggests that the loss of productive income associated with tobacco-use shifted 15.1 million additional households into poverty in 2004/2005 [7]. A similar study of Mauritius shows that spending on tobacco increased the number of people that lived below the poverty line by 6.9% [17]. Yet, the income of poor tobacco-consuming households is not only diverted to purchase tobacco products; income is also sacrificed for additional health expenditures related to tobacco consumption [7]. Furthermore, the premature death of income-earners and bread-winners deprives poor households of potential future income. A growing number of studies show that tobacco-consuming households spend less on food, education, water and clothing (and more on alcohol) than those that do not consume tobacco [4, 6, 8, 18]. Other studies also note that tobacco-consuming households spend less on communication, transport and preventative healthcare [17]. In addition, lower-income households are significantly more likely to displace productive expenditures for tobacco expenditures than their wealthier counterparts [17, 18]. This latter point highlights the difficulty that tobacco use poses in the face of high poverty rates. If economic improvements lead to higher spending on tobacco, but not on food and other productive expenditures, then "the benefits of economic growth will be erased" [3].

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Tobacco expenditures do not exacerbate poverty only in the short-term, but also over the long-term. Children in tobacco consuming households receive less education, and are less well-nourished than those in tobacco-free households [3, 10, 12]. Investments in schooling and nutrition tend to lead to cognitive and educational advantages, which in turn lead to labour market advantages in later life [19-22]. Children from tobacco-consuming households are less likely to complete schooling, find employment, or, if they do find employment, to be employed in well-paying jobs. To the extent that tobacco consumption results in underinvestment in education and undernutrition (which affects the cognitive development of children) this would perpetuate a tobacco-related cycle of poverty [6, 10, 11, 18].

There is evidence that tobacco consumption contributes to inequality in South Africa. [18]. Poor smokers tend to spend a higher proportion of their income on tobacco products than the rich [4, 6, 18, 23], implying a greater opportunity cost. However, the tobacco epidemic, and its impact on poverty, unemployment, and inequality, is not a lost cause. Tobacco control policy interventions have been remarkably successful, both in South Africa and across the world, in reducing tobacco consumption. In 2003 the World Health Assembly adopted the WHO Framework Convention on Tobacco Control (WHO FCTC). The WHO FCTC is the first UN treaty focused exclusively on public health, To date the WHO FCTC has been ratified by 181 countries [24]. Countries that have diligently implemented the various articles of the WHO FCTC have experienced considerable declines in smoking prevalence [25-29]. Increasing the excise tax on tobacco, which leads to higher tobacco prices, is by far the most effective and cost-effective tobacco control instrument [30].

In the early 1990s adult smoking prevalence in South Africa stood at approximately 33% [23]. After the fall of apartheid, the new ANC-led government implemented a number of tobacco control measures, the most influential being the passing of the Tobacco Products Control Amendment Act of 1999 (smoke-free public and work places and banning of all tobacco advertising, promotion and sponsorship) and a series of successive tobacco excise tax increases. By 2012 smoking prevalence had fallen to 20%, primarily due to the excise tax increases [16, 23]. The decrease in smoking prevalence was much more profound among the poor than among the rich, especially in the 1994-2004 period, which coincided with the sharpest tax and price increases [23].

An argument often posited by the tobacco industry is that tobacco taxation is regressive (i.e. they end up hurting the poor more than the rich). While in some countries it is true that the tax is regressive, this is not true for South Africa [23], and, in fact, there is strong evidence that increases in the excise tax reduce its regressivity [31].

The reason for this is that the poor tend to more price sensitive than the rich; and are thus more likely to quit using tobacco in response to a price increase. Poor smokers who do not quit smoking are also more likely to reduce their consumption in response to a price increase than the rich. Poor smokers, as a group, thus tend to benefit from excise tax increases, in the form of short-term budgetary improvements and long-term health benefits. The result is a decline in poverty, and a decrease in income and health-related inequalities.

Kind regards,

Tom Harris

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