

# Fact Sheet

## Tobacco and Poverty

Produced by  
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The contribution of tobacco to disease and death is well-known. But less attention has been given to the ways in which tobacco increases poverty. For the poor, daily spending on tobacco represents a daily drain on scant family resources. Yet in many countries it is precisely the poor who use tobacco the most. In Bangladesh, smoking rates are twice as high in the lowest income group as in the highest.<sup>1</sup> Tobacco use, even when considering the employment thereby generated, contributes to widening the gap even further between rich and poor.

### **Tobacco benefits the wealthy, not the poor**

The main beneficiaries of the tobacco business are not farmers or factory workers in developing countries, but the businessmen from wealthy countries who take the profits while leaving behind the disease.

### *National economies*

In many countries far more money is spent importing tobacco than is gained exporting it, causing losses of millions of dollars annually for the government. Governments also must utilize scarce health care resources to treat the diseases caused by tobacco use.

### *Fear of job loss*

Given the growth in world population, the tobacco industry will not decline rapidly enough to cause workers to lose their jobs. Even if tobacco consumption falls, shifts in spending will generate new jobs—often more than were generated by tobacco, as other products are more labor-intensive to produce.<sup>2</sup> As shifts in spending gradually occur, those leaving tobacco work over the next few decades are likely to find safer and better-paid employment elsewhere.

### *Individual workers*

Transnational companies are gaining an ever-increasing share of the world tobacco market, replacing less efficient local operations. The manufacture of foreign cigarettes is highly mechanized, employing ever fewer people, even as cigarette consumption rises.

Tobacco farmers often find themselves in a cycle of debts to repay farm input loans in the event of a bad crop or low prices of tobacco.<sup>3</sup> Those employed in tobacco factories or selling tobacco on the streets often earn starvation wages. Far from growing rich from their work, many of those working in tobacco are facing multi-generational poverty compounded by illiteracy and poor-health.

### **Food versus tobacco**

In the case of the poorest, where food shortage is an ongoing problem, and where a significant share of income is going to purchase food, tobacco expenditures may make the difference between an adequate diet and malnutrition. While tobacco is regarded as a basic need, food for oneself and one's children becomes a luxury.

In both urban and rural areas of Bangladesh, per capita spending on tobacco is higher than on milk. What the average Bangladeshi male smoker spends on cigarettes each day would be enough to purchase almost 3,000 calories of rice. Researchers estimate that in Bangladesh 10.5 million people are going hungry and 350 children are dying *each day* due to diversion of money from food to tobacco.<sup>1</sup>

Comparing the price of various brands of cigarettes to food is informative. What food might a family have access to if the main income earner were not buying a pack a day of a well-advertised cigarette? When transnational companies promote high-cost cigarettes in poor countries, and where it is mainly the poor who smoke, the results are obvious. Nutritious foods such as milk, eggs, and meat are considered luxury items for the poor, whereas tobacco is considered a daily necessity.

In many developing countries men control the income, and have the first access to what food is available in the family. In these cases, when men spend their money on tobacco, they may continue to eat adequately. It is their wives and children who are most likely to go hungry as a result.

While not all the savings people gained from ceasing tobacco purchases would necessarily be invested in basic needs, it is certain that the money they currently spend on tobacco is *not* going towards essential items. Even if only a portion of tobacco users spent some of their savings on basic goods, the net gain could be tremendous.

#### **Tobacco versus basic needs**

In Vietnam, national statistics show that annual household expenditure on tobacco is 1.7 times higher than expenditure on education, and 1.5 times higher than that for health.<sup>4</sup> In poor countries, even a small increase in expenditure on education and health could have a large impact on the prospects of children. Instead, the money is wasted

on an addictive, deadly product.

For those who become ill or die young from tobacco-related illness, there are further costs in terms of medical care and the impoverishment of family members if the major wage-earner dies. However, the costs do not begin at the point of illness, but rather from the moment when valuable resources are diverted to tobacco.

#### **Low taxes can be regressive**

People often express concern about taxes harming the poor, since they are both most likely to smoke and the least able to afford it. But the opposite argument can equally be made. When tobacco prices are kept low, more poor people use tobacco, and thus waste more of their money on it. In Bangladesh, as prices have remained low over the years, per capita spending on tobacco has increased.<sup>1</sup> While raising taxes may harm some poor individuals who are unable to quit, in many situations this problem is alleviated by the existence of alternate low-cost tobacco products. To the degree that

these are minimally advertised and unpalatable, they may be a resource to the addicted while being unlikely to attract the uninitiated. In addition, if the policy benefits a large number of poor smokers but harms a few, then the decision may have to be made to tolerate the harm in order to benefit the many. Negative effects can be addressed through programs to help the poor quit, or to subsidize a food substance generally consumed only by the poorest.

#### **The solutions**

Advertising and low taxation rates encourage people to spend money on tobacco rather than on food or other basic needs. By both eliminating all forms of tobacco promotion *and* raising taxes on tobacco products, wastage of money can be diminished. For those currently employed by tobacco, job loss is a distant potential, as tobacco use is unlikely to decline sharply in the near future. But where concerns about job loss exist, it is helpful to remember that in many cases, people might *prefer* and benefit from alternate employment. Tobacco control is one area where poverty reduction and health goals go hand in hand.

<sup>1</sup> Debra Efroymsen and Saifuddin Ahmed, *Hungry for Tobacco: an analysis of the impact of tobacco on the poor in Bangladesh*. Dhaka: July 2000.

<sup>2</sup> World Bank, *Curbing the Epidemic: Governments and the Economics of Tobacco Control*, 1999.

<sup>3</sup> John Kapito, "Tobacco Farming And Public Health In Developing Countries –The Case Of Malawi," 2001.

<sup>4</sup> Hoang Van Kinh and Sarah Bales. "Tobacco Consumption Pattern – An Analysis Using Viet Nam National Living Standard Survey data". Vietnam: 1999.