Tobacco and Poverty in South East Asia

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Overview

- Relationship between tobacco use and poverty
  - Money for basic necessities diverted to tobacco use
  - Increased healthcare costs of tobacco use
  - Decreased productivity among smokers and those exposed to SHS
  - Tobacco-related deaths leave many families without a breadwinner
Background

- Tobacco consumption in SE Asia is rising: e.g. between 1970 and 2000 it increased almost 7-times in Indonesia (from 33 billion to 217 billion cigarettes a year)\(^1\).

- Yet, 550 million people in SE Asia (30%) live on US$2 or less per day\(^2\) implying that some people trade necessities for tobacco.

- WHO estimates that half of 5.8 million tobacco-related deaths worldwide occur in Asia every year (2.9 million people). The death toll will reach 8.3 million by the year 2030, with 80 per cent of death in Asia. Many of the victims are household heads with multiple dependants.

  *Smoking and poverty are interrelated and self-reinforcing*

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Basic Necessities and Tobacco (1)

- Tobacco use among low income groups can divert scarce family resources away from beneficial uses.

  - *Vietnam* (2004) - Smokers spent $417 million on tobacco, equivalent to 1.6 million tons of rice sufficient to feed 10.6 million people for a year\(^1\)

  - *Vietnam* - Smokers spent 3.6 times more on tobacco than on education; 2.5 times more on tobacco than clothes; and 1.9 times more on tobacco than for health care\(^2\)

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1. WHO Indonesia and Ministry of Health Indonesia
   [http://www.litbang.depkes.go.id/tobaccofree/media/FactSheet/FactEng/consumpprev_nov10.pdf](http://www.litbang.depkes.go.id/tobaccofree/media/FactSheet/FactEng/consumpprev_nov10.pdf)

2. The Economics of Tobacco in Viet Nam: Tobacco Expenditures and their Opportunity Cost, in Ongoing Research Project of PATH Canada, Viet Nam, funded by Research for International Tobacco Control.
Basic Necessities and Tobacco (2)

- **Cambodia** (2004) - Smokers spent $70 million on tobacco, equivalent to 28 thousand rural houses. This amount also exceeds the amount of foreign aids for socio-economic projects during 2001-2002\(^1\)

- **Bangladesh** - If the average household expense for tobacco was spent instead on food, more than 10 million people could be lifted from malnutrition and 350 children under age five could be saved each day\(^2\)

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1. SEATCA-commissioned research, *Tobacco, Poverty and Socio-Economic Status in Cambodia.*

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Trade-off: Cigarettes vs. Rice

Basic Necessities and Tobacco (3)

- Poor families often allocate a substantial part of the family budget to tobacco
  - *Indonesia* (1996) - The poorest income group spent 15% of their total expenditure on tobacco products
  - *Indonesia* (2004) - The poorest households spent about 11% of their income on tobacco and betel nut


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Basic Necessities and Tobacco (4)

- *Myanmar* - The poorest urban dwellers spend about 5% of their monthly household income on tobacco, compared with 2% for the highest income group
- *Nepal* – The poorest smokers spend nearly 10% of their income on tobacco

Basic Necessities and Tobacco in Cambodia (5)

Share of Tobacco Expenditures in Income (Smoking Households)


Basic Necessities and Tobacco in China (1)

Urban and rural household monthly income expenditure patterns and smoking information, 2002

<table>
<thead>
<tr>
<th>Total expenditures (% of monthly income)</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Poor</td>
<td>Near-poor</td>
</tr>
<tr>
<td></td>
<td>(n = 140)</td>
<td>(n = 460)</td>
</tr>
<tr>
<td>Cigarettes (%)</td>
<td>6.6</td>
<td>6.7</td>
</tr>
<tr>
<td>Food (%)</td>
<td>60.3</td>
<td>54.9</td>
</tr>
<tr>
<td>Housing (%)</td>
<td>3.6</td>
<td>4.2</td>
</tr>
<tr>
<td>Education (%)</td>
<td>6.6</td>
<td>5.4</td>
</tr>
<tr>
<td>Clothing (%)</td>
<td>5.7</td>
<td>4.5</td>
</tr>
<tr>
<td>Other (%)</td>
<td>17.2</td>
<td>24.3</td>
</tr>
</tbody>
</table>

Urban: Poor: monthly capita <145 ¥ (or US$0.60 per day); near-poor: 145-286 ¥; non-poor: >286
Rural: Poor: monthly capita <54 ¥ (or US$0.22 per day); near-poor: 55-83 ¥; non-poor: >83

*US$ = 8.25 Yuan.

Basic Necessities and Tobacco in China (2)

- China

  - The poverty head count in urban and rural areas increased by 6.4% and 1.9%, respectively, due to the direct household spending on cigarettes (based on 1998 data)


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Healthcare Costs of Smoking

- *Direct costs* – payments at health care facilities, medicines, transportation to the facilities, extra food costs (diet, food in hospital)

- *Indirect costs* – productive time lost when sick, time of caregivers
Who Bears the Healthcare Costs of Smoking

- Government (national health insurance, care for the poor)
- Individuals (out of pocket)
- Private sector (employers, insurance companies)

Healthcare Costs of Smoking – a Drain on the Economy

Total Cost as a Percent of the Gross Domestic Product (GDP)


Li Ling, Chen Qiulin, Jia Ruixue and Cui Xuan: Research into China's Smoking Patterns and the Disease Burden of Tobacco Use *Chinese Health Economics* Vol 27, No. 1, January 2008
Healthcare Costs Losses from Smoking – Evidence from SE Asia

- **Thailand (2003)**
  - 8.36% of the total health care expenditure spent on the treatment of COPD (chronic obstructive pulmonary diseases) and lung cancer

- **Vietnam (2005)**
  - Total cost of lung cancer, ischaemic heart disease and COPD = US $80 million - 34% financed by the households
  - 4.3% of the total health care budget was spent on the treatment of the three diseases

- **Taiwan (2002)**
  - Tobacco-related medical expenses reach NT$20 billion per year, about 0.2% GDP.


Productivity Costs of Smoking

- **Due to tobacco-related morbidity** – these are part of the health care costs (productive time lost when sick, time of caregivers)
- **Due to tobacco-related mortality** – premature death and loss of potential income
- **Due to lower productivity on the job** – smoking breaks, less energy when sick
**Productivity Losses from Smoking**

Average Taiwan Employee Sick days per year

1999

<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-smokers</td>
<td>Smokers</td>
</tr>
</tbody>
</table>


**Healthcare Costs and Productivity Losses from Smoking (1)**

- **Taiwan**
  - Smoking-related productivity losses reduced Taiwan’s GDP by US$1.032 billion (0.36%) in 2000

- **Philippines**
  - Total cost (healthcare cost + productivity losses from premature mortality + productivity losses from tobacco related morbidity) of CVD, CAD, COPD and lung disease = US $2.86 billion – US $ 6.05 billion (3.6% - 7.6% of 2003 GDP)

2. Quimbo, S., A. Casorla, M. Miguel-Baquiloc, and F. Medalla, *The Economics of Tobacco and Tobacco Taxation*.

Cerebro-vascular diseases (CVD), coronary artery diseases (CAD), chronic obstructive pulmonary diseases (COPD)
Healthcare Costs and Productivity Losses from Smoking (2)

China

- Total cost (healthcare cost + productivity losses from premature mortality) = US $22.7 billion i.e. 1.9% of GDP (based on 2000 data using willingness to pay approach)
- The excessive medical spending attributable to smoking and consumer spending on cigarettes was estimated to be responsible for impoverishing 30.5 million urban residents and 23.7 million rural residents (based on 1998 data)


Summary

- Low income households allocate a higher percentage of their income to cigarettes
- There is a clear reduction in spending on other goods in smoking households
- The poor are most vulnerable to medical expenses and least capable of dealing with loss of a breadwinner
- If more money was spent on other goods rather than cigarettes, the overall standard of living would improve
THANK YOU!

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