

# Smoking and poverty

2019



# Executive Summary and Recommendations

Most adults who smoke want to stop.<sup>1</sup> Smoking often begins in childhood, as a result of environmental determinants, with people only realising how hard it is to quit after becoming addicted.<sup>2</sup> More than two thirds of those who try smoking go on to become regular smokers, developing an expensive and often lifelong addiction causing disease, disability and premature death.<sup>3</sup>

Analysis of UK Government data carried out for ASH shows that the high cost of tobacco is driving over a million people into poverty. The analysis shows that:

- » 447,000 households in the UK are currently living in poverty due to the cost of tobacco.
- » Around 1,011,000 people – including 263,000 children – live in poverty as a direct result of income lost to tobacco.
- » 143,000 pensioners are pushed into poverty by the cost of tobacco, which increases the proportion of pensioners living in poverty from 14.9% to 26.5%.
- » A third (31.3%) of households which include at least one person who smokes live in poverty, which would reduce to one in five (22.3%) if income lost to tobacco was returned.

There are significant differences in smoking-related poverty by housing tenure. After smoking costs are taken into account:

- » The proportion of social housing tenants living in poverty increases from around a quarter (28.3%) to two in every five (42.8%).
- » The proportion of private tenants living in poverty increases from 22.6% to 28.4%.
- » The proportion of owner occupiers living in poverty increases from 17.2% to 24.2%.

In average households which include at least one person who smokes:

- » Owner occupiers lose more than £2,800 per year to tobacco – 6.9% of their disposable income.\*
- » Social renters lose more than £2,600 per year to tobacco – 14.6% of their disposable income.
- » Private renters lose more than £2,100 per year to tobacco – 5.8% of their disposable income.

But while many smokers are living in poverty, tobacco manufacturers are making vast profits from their lethal products, with far higher profit margins than for other consumer products.<sup>4</sup>

Increasing tobacco prices is highly effective in helping smokers quit, preventing youth initiation and reducing health inequalities. However, for those who are most addicted (disproportionately smokers from low socio-economic groups<sup>5</sup>) and continue to smoke despite price increases, additional support needs to be available.

Action by central government should include:

1. Imposing a 'polluter pays' charge on the tobacco manufacturers to fund tobacco control including anti-smoking campaigns, enforcement and targeted support for smokers to quit.
2. Stricter regulation of tobacco marketing including, for example, requiring retailers to have a licence, raising the age of sale and requiring pack inserts which promote quitting.

Local authorities also have a key role to play. They should set their own local smoking prevalence targets and strategies to achieve them in line with the recommendations set out in the 'The End of Smoking' report developed by ASH and Fresh in collaboration with local authorities, the NHS and civil society including:<sup>6</sup>

1. Supporting smokefree environments.
2. Promoting an annual quit attempt.
3. Providing diverse stop-smoking support.

\***Disposable income** refers to household income after tax and National Insurance contributions. Figures have been rounded to the nearest £.

# Background

Smoking is estimated to cause 96,000 deaths in the UK every year and is the leading cause of premature death.<sup>7</sup> While some people who smoke can stop without support, many find it difficult due to the addictiveness of smoked tobacco.<sup>8</sup> A recent estimate suggests that on average people who smoke will try 30 times before being successful.<sup>9</sup> 60% of regular smokers reported that they would find it very or fairly difficult to not smoke for a week, while 74% reported that they would find it very or fairly difficult to give up smoking altogether.<sup>10</sup> Surveys consistently find that a majority of smokers want to quit, with the cost of smoking being the second most common motivation: 31% of smokers say that smoking is too expensive and a waste of money.<sup>11</sup>

## Why does smoking push people into poverty?

The more disadvantaged someone is, the more likely they are to smoke. Workers in low-paid and stressful jobs are more likely to smoke than the national average. Smoking rates are also higher among the unemployed, those with routine and manual jobs, and those with no formal qualifications compared to those with a degree.<sup>12</sup> There is also evidence to show that disadvantaged smokers have been targeted by the tobacco industry.

### Case Study: USA

Two of the largest cigarette manufacturers in the USA, RJ Reynolds and Philip Morris identified young adults in low socio-economic groups as a critical market segment to promote growth of key brands, describing them as *"looking for an escape from the stressful, hardworking life of the working class establishment of which they will become a part."*<sup>13</sup>

Analysis of internal tobacco industry documents revealed in court cases has also showed that the industry has a history of targeting women in poorer socio-economic groups in the USA. Strategies included distributing discount coupons with food stamps to reach the very poor, developing new brands specifically for low-income women, and promoting luxury images to low-income African Americans.<sup>14 15</sup>

Smoking is strongly associated with wider socio-economic disadvantage. In Richmond upon Thames, a baby boy has a life expectancy of 82.3 years and the adult smoking rate is 5.9%. In Blackpool, a baby boy has a life expectancy of 74.2 years and the adult smoking rate is 21.1%.<sup>16 17</sup> Higher smoking rates are responsible for at least half the average 9 year difference in life expectancy between the rich and the poor in the UK.<sup>18</sup>

On average, all people who smoke make similar numbers of quit attempts each year, regardless of socio-economic background. However, research has found people who smoke from low socio-economic groups are less likely to succeed in their attempts due to facing greater barriers to quitting, including;

- » Experiencing higher levels of addiction.
- » Dealing with increased stress related to material hardship.
- » The normalisation of smoking in their environment, including higher rates of smoking among friends and family.<sup>19</sup>

# Results

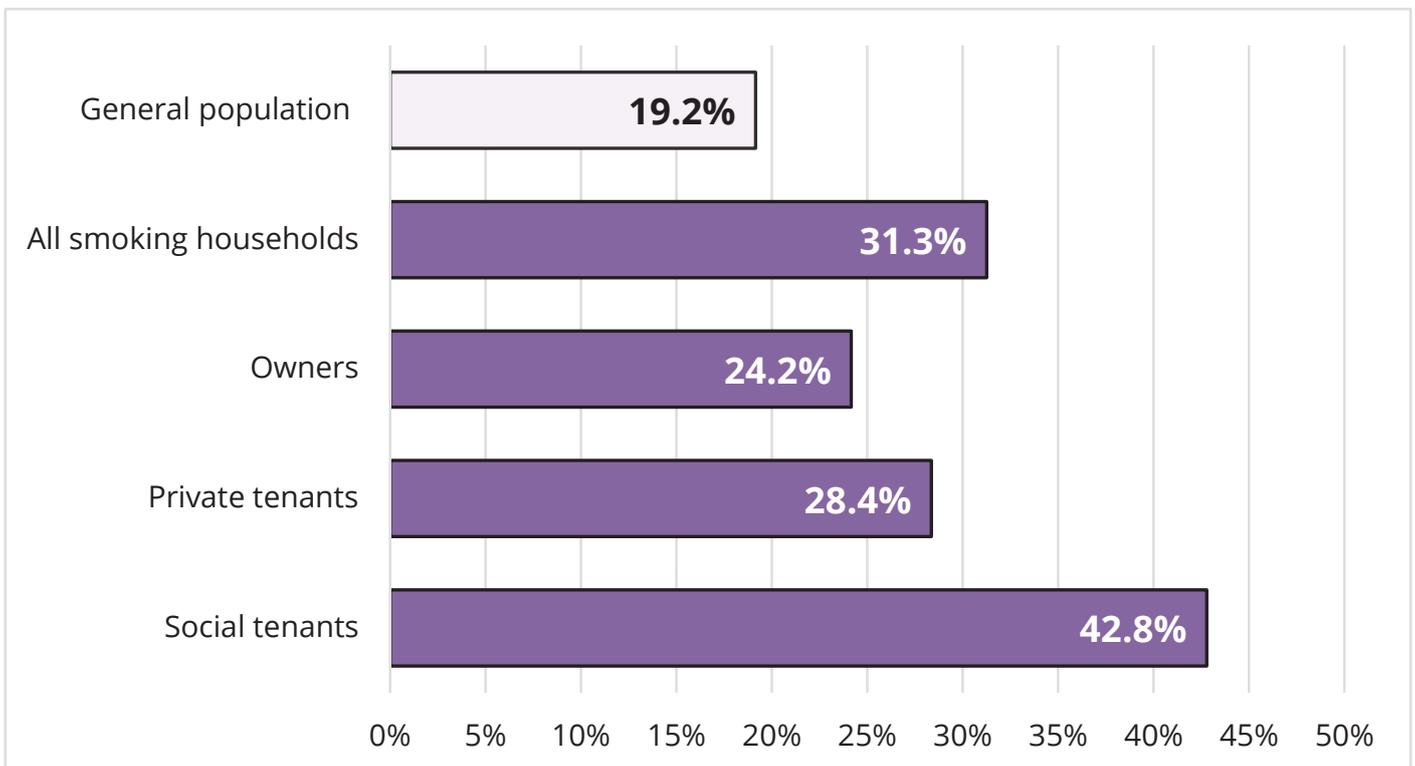
**Table 1: Increase in poverty rate after smoking costs for smoking households\*\*20**

This table shows the overall percentage of households in poverty, across different housing tenures, which lost any money to tobacco, and shows the percentage considered to be in poverty before and after this money is accounted for. The difference due to the purchase of tobacco is shown in the bottom row.

	Social tenants	Private tenants	Owners	All smoking households
Before smoking costs included	28.3%	22.6%	17.2%	22.3%
After smoking costs	42.8%	28.4%	24.2%	31.3%
Percentage point increase in poverty rate	14.6%	5.8%	6.9%	9.0%

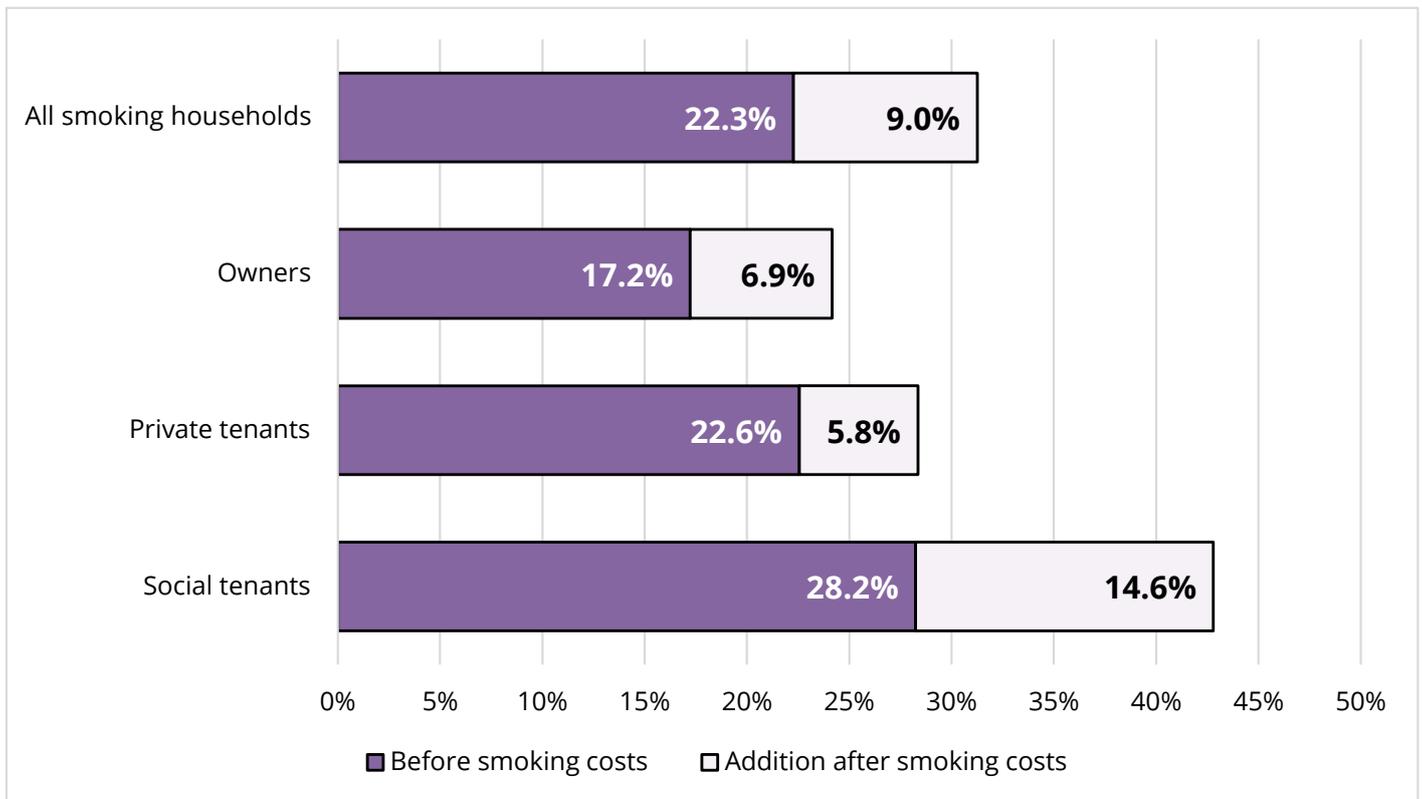
All types of housing tenures who lost any money to tobacco had higher poverty rates compared to the wider UK population (19.2%).

**Figure 1: Poverty rates across different tenures of smoking households compared to the general population**



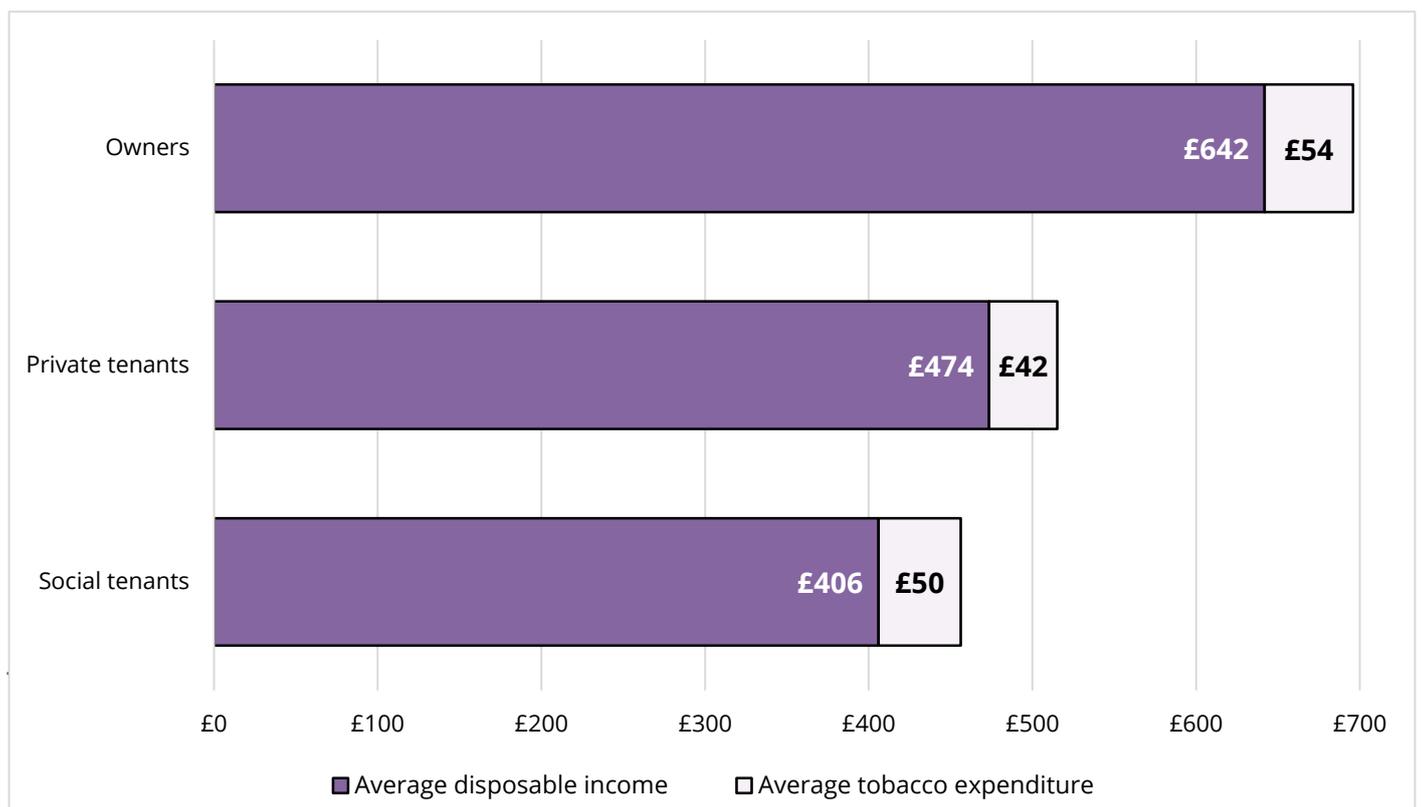
The results also show that across all types of housing tenures, households which lost money to tobacco were at increased risk of poverty, with the effect most pronounced among social tenants. Poverty rates across all smoking households increase from around one fifth (22.3%) to one third (31.3%) when the cost of tobacco is taken into account. Approximately two fifths (42.8%) of social housing tenants live in poverty, up from around a quarter (28.3%) before the cost of tobacco addiction is taken into account.

**Figure 2: Increase in poverty rate after tobacco costs accounted for**



All smoking households lost a substantial proportion of their disposable income to tobacco products. Social tenants lost the largest proportion of their disposable income (14.6%) compared to private tenants (5.8%) and owners (6.9%).

**Figure 3: Disposable income including money spent on cigarettes (per week)**



## Table 2: Number of households in poverty

This table shows the numbers of households (in thousands), across different tenures, who are in poverty before and after smoking costs are considered. The figures show that around 447,000 households are pushed into poverty by the cost of tobacco.

(1000s)	Social tenants	Private tenants	Owners	Whole sample
Before smoking costs included	1,129	917	2,545	4,591
After smoking costs	1,370	975	2,694	5,039
Increase in poverty rate once smoking costs accounted for	241	58	149	447

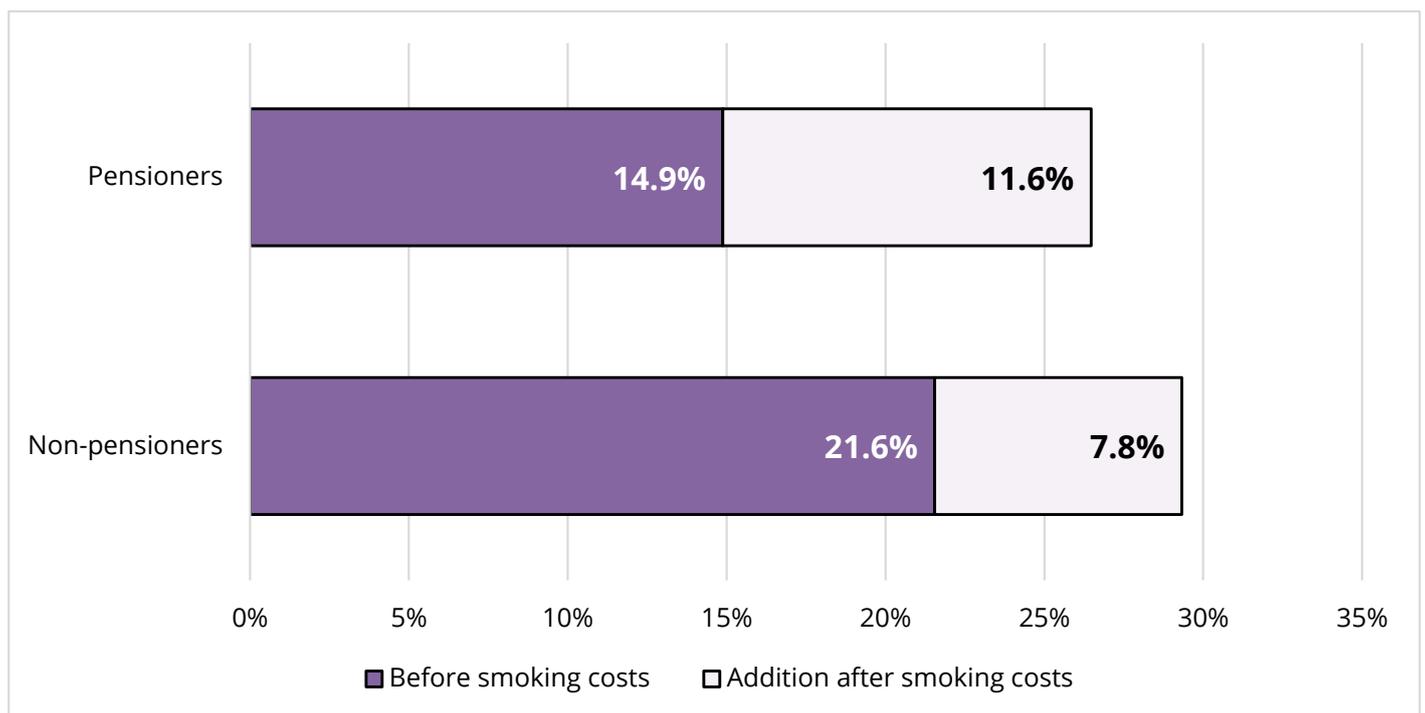
## Table 3: Poverty rates for pensioners and non-pensioners in smoking households

Pensioners are disproportionately likely to be driven into poverty by the costs incurred by tobacco addiction. Using data from households which lost any money to tobacco, this table shows the proportion of people in poverty before and after smoking costs are incurred, split by non-pensioners (working-age adults) and pensioners.

	Non-pensioners	Pensioners
Before smoking costs included	21.6%	14.9%
After smoking costs	29.3%	26.5%
Percentage point increase in poverty rate due to smoking expenditure	7.8%	11.6%

## Figure 4: Pensioner and non-pensioner poverty rates before and after smoking costs

Although pensioner households are less likely to be in poverty, both before and after smoking costs, the poverty rates become closer after smoking costs are accounted for. The percentage point increase in poverty rate after smoking is also significantly higher for pensioner households (11.6%) compared to non-pensioner households (7.8%). After smoking costs are accounted for, the poverty rate for pensioner households increases from one sixth (14.9%) to over a quarter (26.5%).



## Table 4: Adults and children in poverty before and after smoking costs

The following table shows the numbers (in thousands) of adults and children in poverty before and after money spent on tobacco. The results show that there are an additional 1,011,000 people, including a significant number of children (263,000), in the UK living in poverty as a result of income lost to tobacco addiction.

(1000s)	Number of adults in poverty	Number of children in poverty	Total number of people in poverty
Before smoking costs included	8,099	3,000	11,099
After smoking costs	8,847	3,263	12,110
Number of people in poverty due to smoking expenditure	748	263	1,011

### And while smokers are pushed into poverty by their addiction to smoking...

- » The four largest tobacco transnationals (British American Tobacco, Imperial Tobacco, Japan Tobacco International and Philip Morris International) make over £1.5 billion in profits per annum in the UK alone.<sup>26</sup>
- » From 2009 to 2016, BAT paid 'virtually no' corporation tax, including four consecutive years from 2011-14 where they paid nothing at all.
- » PMI spent £2 million on one corporate advertising campaign in the UK, 'Hold my Light', which is at least as much as Public Health England spends annually on its mass media campaigns.
- » PMI recently renewed its sponsorship of the Scuderia Ferrari Formula 1 team, despite no longer being able to use its sponsorship to promote the Marlboro name. In 2015, this sponsorship was estimated to be \$160 million per year.<sup>27</sup>
- » British American Tobacco has rewarded its departing CEO, Nicandro Durante, with a 'golden parachute' of £7.5m as part of his September 2019 exit package.<sup>28</sup>

# The cost of smoking

## Tobacco taxation

In 1993, the Conservative government explicitly stated that it intended to raise the tax on tobacco for health reasons, noting that it was “the most effective way to reduce smoking”.<sup>21</sup> Since then, apart from the period 2001-2008, successive UK governments have increased tobacco duties above the rate of inflation. Currently, there is a commitment in place for an escalator of 2% above inflation until the end of this Parliament in 2020.<sup>22</sup>

Increasing the price of tobacco through taxation remains the single most effective way of reducing smoking prevalence.<sup>31</sup> As price increases affect disadvantaged smokers more than affluent smokers, this core fiscal intervention can also help to reduce inequalities in smoking prevalence. However, quitting smoking is notoriously difficult: less than 5% of smokers succeed each year, and it takes on average 30 attempts before a smoker succeeds in quitting,<sup>9</sup> while access to specialist help to quit can increase quit success rates by up to three times.<sup>23</sup> People from low socio-economic groups who do not quit smoking in response to price rises are disproportionately disadvantaged by them, so tax increases must be implemented in conjunction with strategies to support and encourage people who smoke to quit, and be targeted at the most disadvantaged.

## Industry price increases

The increasing costs of cigarettes are not solely a result of increased taxation and public health initiatives. Lobbyists for cigarette firms have argued against increases in taxes, claiming that they push smokers towards fake and illegally imported tobacco. However, according to a study by the University of Bath and King's College London, tobacco companies have regularly increased their prices above that required by tax increases, to further increase their profits.<sup>24</sup>

The study found that before 2010 in Great Britain and Ireland, almost 50% of the total price increase of tobacco products was driven by the companies themselves, not taxation. Between 2010 and 2012, when there were large tax increases, industry-driven price changes were small, accounting for between 16% and 20% of the price increases. But from 2013 to 2015, when tax increases were smaller and more predictable, a third of the price increase for manufactured cigarettes was industry-driven, rising to nearly half (48%) of the price hike for roll-your-own (RYO) tobacco. This was despite there being higher levels of illicit trade for RYO products.

## Tobacco industry profits

The disproportionate poverty rates among many smokers are in stark contrast to the financial success enjoyed by the large tobacco companies. The tobacco industry is one of the most profitable in the world. In 2015 the total profits to manufacturers and importers in the UK tobacco market were estimated to be around £1.5 billion in 2015, and to have been a minimum of £1 billion in each of the previous five years. Tobacco manufacturers and importers are also found to make consistently high profit margins of up to 67%, compared to only 15-20% in most consumer staple industries.<sup>4</sup>

In 1992, the industry was estimated to spend around £100 million annually on advertising its tobacco brands in the UK, which it is no longer able to do.<sup>25</sup> In addition, UK legislation heavily regulates the industry in ways that can inadvertently reduce its costs, for example in requiring plain standardised packaging, so that the industry does not have to spend money on costly packaging innovation.

# Recommendations

The most effective way to reduce poverty caused by smoking is to reduce smoking rates, particularly among the most economically disadvantaged. Quitting smoking would lift more than 447,000 households out of poverty.<sup>29</sup>

Although reducing the affordability of tobacco is highly effective in reducing smoking rates, it is clear from the number of smoking households in poverty that it is not enough to eradicate smoking alone.

To achieve its ambition of ending smoking by 2030 across all social groups, including those who live in poverty, Government action should include:

1. Imposing a 'polluter pays' charge on the tobacco manufacturers to fund tobacco control including anti-smoking campaigns, enforcement and targeted support for smokers to quit.
2. Introducing stricter regulation of tobacco marketing including, for example, requiring retailers to have a licence, raising the age of sale and requiring pack inserts which promote quitting.

Local authorities also have a key role to play. They should set their own local smoking prevalence targets and strategies to achieve them in line with the recommendations set out in the 'The End of Smoking' report. The report was developed by ASH and Fresh in collaboration with local authorities, the NHS and civil society including:<sup>30</sup>

1. Supporting smokefree environments.
2. Promoting an annual quit attempt.
3. Providing diverse stop smoking support.

# Research methods

To calculate the cost of smoking to UK households, Landman Economics undertook an analysis of the most recent three waves of the UK Living Costs and Food Survey (LCFS) – for 2015-16, 2016-17 and 2017-18. Three years of data were pooled to increase the sample size and make the results more robust.

The incomes in the earlier waves of the LCFS (2015-16 and 2016-17) were updated to 2017-18 prices using the average increase in disposable income in the Family Resources Survey (the survey used for the UK Government's headline statistics on disposable incomes and poverty) to ensure that income was measured on a consistent basis. Tobacco expenditure was updated to 2017-18 using the Consumer Price Index.

Weekly tobacco expenditure measure in the LCFS, when multiplied by 52 and grossed up to give an annual aggregate figure for the UK (using the household grossing factors in the LCFS data), understates tobacco expenditure for the tax year 2017-18 by a factor of around 2.1 compared to an estimate of tobacco expenditure derived from HMRC's published statistics on tobacco duty receipts.

This is a commonly found problem in household expenditure surveys: they systematically under-report expenditure on tobacco products. To produce a more realistic figure for weekly tobacco spending that is consistent with HMRC aggregate data, the tobacco expenditure data in the LCFS was multiplied by a factor of 2.1.

Because the Family Resources Survey measures income and poverty more accurately than the Living Costs and Food Survey, the estimated poverty rates by housing tenure type in the LCFS data were adjusted so that they match the FRS 2017-18 estimates. This resulted in a small reduction (less than 1 percentage point) in the poverty rate for social tenants and private tenants, and a small increase (less than 0.5 percentage points) in the estimated poverty rate for owner-occupiers.

All percentages have been rounded to one decimal place for this report.

**\*\* Smoking household** refers to households consisting of one or more smoker(s).

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