

tobacco and poverty A VICIOUS CIRCLE



© World Health Organization 2004

All rights reserved. Publications of the World Health Organization can be obtained from Marketing and Dissemination, World Health Organization, 20 Avenue Appia, 1211 Geneva 27, Switzerland (tel: +41 22 791 2476; fax: +41 22 791 4857; email: bookorders@who.int). Requests for permission to reproduce or translate WHO publications – whether for sale or for noncommercial distribution – should be addressed to Publications, at the above address (fax: +41 22 791 4806; email: permissions@who.int).

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the World Health Organization concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. Dotted lines on maps represent approximate border lines for which there may not yet be full agreement.

The mention of specific companies or of certain manufacturers' products does not imply that they are endorsed or recommended by the World Health Organization in preference to others of a similar nature that are not mentioned. Errors and omissions excepted, the names of proprietary products are distinguished by initial capital letters.

The World Health Organization does not warrant that the information contained in this publication is complete and correct and shall not be liable for any damages incurred as a result of its use.

Printing: IAG, France

A VICIOUS CIRCLE

Tobacco and poverty: a vicious circle
The poor and tobacco consumption
Tobacco and poverty

WHO PAYS?

Tobacco increases the poverty of individuals and families

Lost earnings due to illness and death
Higher medical costs

Tobacco farming: a circle of poverty, illness and debt

Child labour

Health hazards

The circle of tobacco and debt

Tobacco increases the poverty of countries

Increased health-care costs and productivity losses

Foreign exchange losses

Smuggled cigarettes

Growing tobacco harms the environment

WHO BENEFITS MOST?

Tobacco industry profits soar

The truth about tobacco and employment

TOBACCO CONTROL IS A NECESSITY

The WHO Framework Convention on Tobacco Control: the first step towards the solution



Acknowledgments:

The production of this document would not have been possible without the contribution of many people.

The Tobacco Free Initiative would especially like to thank *Debra Efroymsen* and *Ross Hammond* for preparing the document's rationale and full text; as well as *Joy de Beyer*, *Linda Waverley Bridgen*, *Stella Aguinaga-Bialous* and *Ken Warner* for their reviews and invaluable comments.

A VICIOUS CIRCLE

Tobacco and poverty: a vicious circle

The contribution of tobacco to premature death and disease is well documented. However, little attention has been paid to the link between tobacco and poverty. Tobacco tends to be consumed by those who are poorer. In turn, it contributes to poverty through loss of income, loss of productivity, disease and death. Together, tobacco and poverty form a vicious circle from which it is often difficult to escape.

The poor and tobacco consumption

It is the poor and the poorest who tend to smoke the most. Currently, there are an estimated 1.3 billion smokers worldwide. Of these, 84% live in developing and transitional economy countries.¹

Smoking prevalence in men tends to be higher in low- and middle-income countries. The overall smoking prevalence among men in 2003 was nearly 50% in low- and middle-income countries, whereas in high-income countries it was 35%.²

At country level, tobacco consumption varies according to socioeconomic group. In many countries, including developed ones, it is the poor who consume tobacco the most and who bear most of the economic and disease burden of tobacco use.

A study of smoking prevalence among men in Chennai (India) in 1997 showed that the highest rate was found among the illiterate population (64%). This prevalence decreased by number of years of schooling, and declined to 21% among those with more than 12 years of schooling³— less than a third of illiterate men's smoking prevalence.

A 1998 study in the United Kingdom shows that only 10% of women and 12% of men in the highest socioeconomic group are smokers while 35% of women and 40% of men in the lowest socioeconomic group smoke.⁴

In Poland, the contribution of smoking to the risk of premature death among males at ages 35-69 varies by education level; in 1996, the risk of dying during middle age due to tobacco-related diseases was 5% among people with higher education and nearly double (9%) among persons with only primary and secondary education levels.⁵

Tobacco and poverty

There are several ways in which tobacco increases poverty at the individual, household and national levels. At the individual and household level, money spent on tobacco can have a very high opportunity cost. For the poor, money spent on tobacco is money not spent on basic necessities, such as food, shelter, education and health care. Tobacco also contributes to the poverty of individuals and families since tobacco users are at much higher risk of falling ill and dying prematurely of cancers, heart attacks, respiratory diseases or other tobacco-related diseases, thus depriving families of much-needed income and imposing additional health-care costs. Those who grow tobacco suffer as well. Many tobacco farmers, rather than growing rich from the crop, often find themselves in debt to tobacco companies. Furthermore, tobacco cultivation and curing can cause serious damage to human health.





© WHO, P. Virost

At the national level, countries suffer huge economic losses as a result of high health-care costs, as well as lost productivity due to tobacco-related illnesses and premature deaths. Countries that are net importers of tobacco leaf and tobacco products lose millions of dollars a year in precious foreign exchange. Tobacco cultivation and curing also degrade the natural environment. Cigarette smuggling is also a cause for concern because it can lead to an increased consumption if the average price of all cigarettes falls, having a higher impact in middle- and low-income countries and on the poor. Reduced government tax revenue is another consequence of smuggling.⁶ In short, tobacco's contributions to the economy (through employment, and government tax revenue) are outweighed by its costs to households, to public health, to the environment and to national economies.

The large tobacco companies earn billions of dollars, but the important question is: "Who pays, and who benefits most?"



WHO PAYS?

Tobacco increases the poverty of individuals and families

Tobacco use tends to be higher among the poor. The poor, in turn spend a larger proportion of their income on tobacco than do richer households. Food, shelter, education and health care are basic human needs. However, factors such as weak public policies coupled with a lack of access to information on living healthily, attractive, mass-targeted tobacco advertising and, ultimately, addiction to nicotine - all contribute, to poor people spending their money on tobacco rather than on essential needs.⁷ In the case of the poorest households, where a significant portion of income is devoted to food, expenditures on tobacco can mean the difference between an adequate diet and malnutrition. Given high rates of malnutrition in low-income countries and the aggressive marketing of tobacco products, the use of tobacco by the poor constitutes a serious challenge to human development. Research has shown, for example, that over 10.5 million people in Bangladesh who are currently malnourished could have an adequate diet if money spent on tobacco were spent on food instead, saving the lives of 350 children under age five *each day*. Expenditures on tobacco also deprive people of educational opportunities that could help lift them out of poverty. Currently, the poorest households in Bangladesh spend almost 10 times as much on tobacco as on education.⁸

Research from around the world shows that expenditure on tobacco can represent a high percentage of household income, sometimes higher than that on education or health care.

For example:

- ◆ In Egypt, over 10% of household expenditures in lower-income households went for cigarettes or other tobacco products.⁹
- ◆ Preliminary results from an ongoing study in three provinces of Viet Nam found that over the course of a year, smokers spent 3.6 times more on tobacco than on education; 2.5 times more for tobacco than clothes; and 1.9 times more for tobacco than for health care.¹⁰
- ◆ The average amount spent by poor households in Morocco on tobacco was virtually the same as the amount spent on education, and more than half the amount spent on health.¹¹
- ◆ Students in Niger spent 40% of their income on cigarettes and manual labourers spent on cigarettes 25% of their income.¹²
- ◆ Low-income households with at least one smoker in Bulgaria spent on average 10.6% of their total income on tobacco products.¹³
- ◆ Urban households in Tibet spent 5.5% of their monthly disposable income on tobacco products in 1992.¹⁴
- ◆ In Nepal, tobacco accounted for almost 10% of annual household expenditures among the lowest-income households.¹⁵
- ◆ The lowest income group in Indonesia spent 15% of their total expenditure on tobacco.¹⁶
- ◆ Even homeless children in India spent a significant portion of their income purchasing tobacco, often prioritizing tobacco over food.¹⁷
- ◆ In Mexico in 1998, the poorest 20% of households spent nearly 11% of their household income on tobacco.¹⁸

"Eggs? Where will the money come from to buy them?"

Dhaka rickshaw driver who could feed each of his three children an egg a day if he bought eggs instead of tobacco.¹⁹

Lost earnings due to illness and death

Tobacco use is closely associated with an increased risk of cancer and heart disease. It also results in respiratory illnesses, including Chronic Obstructive Pulmonary Diseases (COPD). Tobacco use has been shown to promote the onset of tuberculosis (TB) and negatively affect the outcome of TB, a disease that mainly affects the poor. A recent study showed that smoking is the cause of half of all male TB deaths in India.²⁰ There is evidence that tobacco is significantly associated with an increased mortality among TB patients.

The ill health caused by tobacco use is often the trigger for a downward slide into more extreme poverty. The poor have few or no assets aside from their ability to work, meaning that poor families are particularly vulnerable. If the main breadwinner becomes ill from tobacco use, the family's ability to purchase food and other necessities is threatened.²¹

Higher medical costs

Costs of tobacco for the individual include higher medical costs. For the poorest, medical care is not always available, and when it is, it is a luxury that many people in developing countries cannot afford. Therefore, the cost of health care is, in some cases, ignored. When available, treatment of tobacco-related diseases like lung cancer, heart disease or chronic pulmonary diseases can be costly. There have been some attempts to measure the "health care" costs that result from treating tobacco-related diseases. In the United States of America, in 1998, smoking-attributable personal health-care medical expenditures were US\$ 75.5 billion. For each of the approximately 46.5 million adult smokers in 1999 these costs represented an annual cost of US\$ 1 623 in excess medical expenditures in addition to the US\$ 1 760 in lost productivity.²²

However, treatment is not the only cost. Many insurance companies will quote their health insurance premiums based on whether or not the person smokes. The average cost of the monthly insurance premium for a 35-year-old female smoker, based on a sample of 10 insurance companies in the United Kingdom is 65% higher than the cost for a non-smoker; and 70% higher for the male smoker compared to the non-smoker.²³

Tobacco farming: a circle of poverty, illness and debt

For decades, the tobacco industry has encouraged countries and families to grow tobacco, claiming that it will bring them prosperity. For many households, the reality has been quite different. All over the world, and especially in developing countries, the expansion of tobacco farming, encouraged and in some cases

financed by the major cigarette companies, has created a situation where more and more farmers are competing to sell tobacco to the companies for lower and lower prices. While some large-scale tobacco farmers have undoubtedly become wealthy, many tobacco farmers are barely making a living producing a crop that is labour and input intensive, and brings with it a host of health and environmental dangers, from pesticide exposure to nicotine poisoning. Moreover, while tobacco farming is not unique in its use of child labour, the particular hazards posed by tobacco cultivation place these children at increased risk of injury and illness.



Child labour

Tobacco contributes to poverty not only through the money wasted on its purchase but also through lost educational opportunities. The use of child labour in the tobacco fields is common practice in many tobacco-producing countries. Among poor families who depend on tobacco, children work on tobacco farms or factories from a very early age, missing out on vital educational opportunities that could help lift them out of poverty.

A report commissioned by United Nations Children's Fund (UNICEF) in Bangladesh highlights the difficult conditions suffered by children who work in the bidi-rolling industry. Of the working children surveyed, 13% were below age nine. Making bidis is a repetitive, tedious job that requires sitting in the same position for long hours and provides little intellectual stimulation. Of the children aged 5-15 in the study, 40% had never been to school in their lives. Work hours are so long (an average of 11-12 hours per day) that it is virtually impossible to combine work with education. Although child labour might increase the income of families for a few years, it does not seem to have long-term benefits.²⁴

Child labour is illegal but still occurs widely in the bidi industry in India. Working children are not officially on payrolls, so the employers cannot be accused of having employed 'child labour'. Figures relating to the employment of children cannot be verified easily²⁵, but it is estimated that around 10% of all female and 5% of all male bidi workers are found to be under 14 years of age.²⁶



© WHO



Photo: F. Marten, IDRC



© WHO

This situation is similar for children involved in tobacco cultivation. As John Mhango, the president of the Malawi Congress of Trade Unions puts it, “Child labour is an evil practice that contributes to Malawi’s poverty rates. Most of these children are denied schooling and grow up illiterate and uneducated. How can they contribute to real economic development?”²⁷

In general, for those working in cigarette factories or bidi-rolling operations, long hours and low wages are the norm. In Bangladesh, for example, children and women who work rolling bidis receive wages so low that in some cases it takes two hours of work to earn enough to purchase a cup of tea, while tribal workers in the bidi industry in India complain of abusive language and cheating by middlemen.²⁸

Children working with tobacco are in many cases forced to work because of their households’ precarious economic situation. However, this poverty is exacerbated by the tobacco and bidi companies, which do not pay their adult workers enough to survive without their children’s labour. And so the vicious circle of poverty continues.

Health hazards

The hazards posed by tobacco cultivation place tobacco workers at increased risk of injury and illness. Children and adults working with tobacco frequently suffer from green tobacco sickness (GTS), which is caused by dermal absorption of nicotine from contact with wet tobacco leaves. Common symptoms range from nausea, vomiting and weakness to headaches and dizziness, and may also include abdominal cramps and difficulty breathing, as well as fluctuations in blood pressure and heart rates.²⁹

Large and frequent applications of pesticides are required to protect the plant from insects and disease. Common pesticides include: aldicarb, a highly toxic insecticide that is suspected of causing genetic damage in humans³⁰; chlorpyrifos, which, like all organophosphate insecticides, negatively affects the nervous system and is a common cause of pesticide poisonings, with symptoms encompassing nausea, muscle twitching, and convulsions³¹; and 1,3-Dichloropropene, a highly toxic soil fumigant that causes respiratory problems in humans, as well as skin and eye irritation and kidney damage.³² The heavy and repeated use of these and other pesticides takes an enormous toll on the health of tobacco farmer, most of whom do not receive proper training on how to handle these chemicals.



© WHO, P. Viot



Photo: IDRC

One survey of tobacco farmers in Brazil found that 48% of family members suffered pesticide-related health problems. Although the leaf companies sell protective suits, in some cases they can cost more than 25% of the average monthly salary of the farmers.³³ There is also growing concern about

the neuro-psychiatric effects among tobacco workers of exposure to organophosphate pesticides, with preliminary studies indicating increased rates of depression and suicides in Brazil among tobacco farmers.³⁴ In one city in the major tobacco-producing area of Brazil, researchers have found suicide rates nearly seven times the national average. Over 60% of those who had committed suicide had worked on tobacco farms and the majority died during the part of the season when the use of organophosphate pesticides is highest.³⁵

“From the day the nursery is laid to the day the pay cheque is collected, the farmer inhales an assortment of chemicals. To make matters worse, the farmer has no protective gloves, gas masks, gum boots or dust-coats during his sad sentence as a tobacco farmer. Thus, at the end of the farming season, the farmer spends all he earned from the crop, sometimes more, to seek medication. At the Kehancha District Hospital, more than 60% of deaths are due to tobacco-related ailments. Infant mortality is also on the increase, as are the incidents of unexplained miscarriages, just to mention a few... Tobacco nurseries are situated near water masses, most times at the source. Thus, as the farmer waters his chemical-drenched seedbed, the water flows back to the river carrying with it remnants of such chemicals. It does not need much intelligence to figure out that the same water will be used downstream by communities and their animals. The result is a proliferation of all sorts of ailments assaulting man and beast in the area...”

Samson Mwita Marwa, former tobacco farmer and member of parliament in Kenya.³⁶

The circle of tobacco and debt

For many farmers, the earnings from tobacco are barely enough to cover their costs, yet they continue to grow it because there is often little support for other crops. In a number of countries, the companies operate a “contract system” whereby they provide credit in the form of seeds, fertilizer, pesticides and technical support. The farmers are usually then obligated to sell all of their leaf to the company at a set price which sometimes ends up being less than the value of the initial loans.³⁷ The companies grade tobacco according to a number of variables, including the position of the leaf on the stalk, leaf colour and size. Tobacco growers have no influence on how their crop is graded. Since there are usually no more than a handful of purchasers, farmers are forced to accept whatever prices are offered to them.

In Brazil, according to one newspaper report, the tobacco companies now “decide prices among themselves, and punish growers heavily should they decide to sell elsewhere... the big companies join together to estimate the growers’ cost of production plus a modest margin. To help enforce their control, the companies hold back a share of the farmer’s payment until the entire harvest is delivered”. According to a local city councilman, “We have a system in which a half dozen companies are strangling the growers. Each year they come up with a new way to squeeze the growers tighter”.³⁸ The result is that in many countries farmers are falling deeper and deeper in debt to the tobacco companies.

Tobacco increases the poverty of countries

Tobacco not only impoverishes many of those who use it, it puts an enormous financial burden on countries. The costs of tobacco use to countries include increased health-care costs, lost productivity due to illness and early death, foreign-exchange losses, lost revenues on smuggled cigarettes and environmental damage.

Increased health-care costs and productivity losses

The truth is that countries suffer huge economic losses as a result of high health-care costs and lost productivity due to tobacco-related illnesses and premature deaths. In high-income countries, the overall annual cost of health care attributed to tobacco use has been estimated at between 6% and 15% of total health-care costs.³⁹ In the United States, for example, tobacco use accounted for more than US\$ 157 billion in annual health-related economic costs between 1995 and 1999: the country lost, during that period, an average of US\$ 81.9 billion per year in mortality-related productivity losses and US\$ 75.5 billion in excess medical expenditures.⁴⁰

As tobacco consumption rates and tobacco-related illnesses increase in developing countries, so do tobacco-related health-care costs. In Egypt, the direct annual cost of treating diseases caused by tobacco use is estimated at US\$ 545.5 million.⁴¹ In

China, one study from the mid-1990s estimated the direct and indirect health costs of smoking at US\$ 6.5 billion per year.⁴² With tobacco use set to kill 3

million a year in China by the middle of this

century, these costs are sure to skyrocket.⁴³ Premature

deaths from tobacco can also have a devastating impact on national economies, robbing them of productive workers. If

current trends persist, about 650 million people alive today will eventually be killed by tobacco⁴⁴, half of them in productive middle age,

each losing 20 to 25 years of life.⁴⁵ In China alone in 1998, where an estimated 514 100 people died prematurely from smoking-related illnesses, the country suffered a productivity loss of 1 146 million person-years.⁴⁶

Foreign exchange losses

Many countries are net importers of tobacco leaf and tobacco products, losing millions of dollars each year in

foreign exchange as a result. In 2002, two thirds of 161 countries surveyed imported more tobacco leaf and tobacco products than they exported. There were 19 countries that had a negative balance of trade in tobacco products of over US\$ 100 million or more, including Cambodia, Malaysia, Nigeria, the Republic of Korea, Romania, the Russian Federation and Viet Nam.⁴⁷

Smuggled cigarettes

It has been estimated that a third of all internationally exported cigarettes are diverted into the black market, smuggled into countries and sold illegally, evading taxation.⁴⁸ Smuggled cigarettes are typically sold at lower prices than official sales, leading to an increased volume of sales and consumption. Tobacco smuggling has become a critical public health issue because it brings cheap tobacco onto markets, making it more affordable and thus stimulating consumption and increasing the risks of tobacco-related disease. Total lost revenue by governments due to cigarette smuggling is estimated at US\$ 25 000 to US\$ 30 000 million annually.⁴⁹

Cigarette smuggling occurs in all parts of the world, even in regions where taxes are low. According to the World Bank, economic theory suggests that the industry itself will benefit from the existence of smuggling.⁵⁰ The reasons for that are that the presence of smuggled cigarettes in a market that has been closed to imported brands will help to increase the demand for those brands, and hence increase their market share; it will also influence governments to keep tax rates low.

Taxation is one of the most cost-effective measures for reducing tobacco consumption. Higher taxes raise prices and significantly reduce the tobacco consumption. The impact of higher taxes is likely to be greatest on young people and the poor, who are more responsive to price increases. More importantly, it will cause a sharper demand reduction in low- and middle-income countries, where tobacco users are more responsive to price increases than in the high-income countries. The World Bank has concluded that because the fall in demand tends to be smaller in percentage terms than the tax increase that causes it, governments’ revenues rise with higher taxes, despite the fall in sales volumes.⁵¹ Evidence shows that this generally even holds true in the presence of smuggling. However, the tobacco companies continue to oppose tax increases with the argument that higher



© WHO, A. Wook



© WHO, P. Virot



taxes are an incentive for smuggling, and reduce tax revenues, creating pressure on governments to keep taxes low and making it easier for young and poor people to take up or continue smoking.

The World Bank studied what other factors contribute to the size of smuggling. Using standard indicators of corruption levels based on Transparency International's Index of Countries, it was concluded that the level of tobacco smuggling tends to rise in line with the degree of corruption in a country.⁵²

Growing tobacco harms the environment

Tobacco-growing contributes to poverty by harming the environment on which people depend for sustenance. In many developing countries wood is used as fuel to cure tobacco leaves and to construct curing barns. An estimated 200 000 hectares of forests and woodlands are cut down each year because of tobacco farming.⁵³ In the Southern African region as a whole, more than 1400 square kilometres of indigenous woodlands disappear annually to supply fuel wood for tobacco curing, accounting for 12% of the overall annual deforestation in the region. This figure does not include other tobacco-related uses of wood, like pole wood for constructing barns and the firewood requirements of resident workers and their families on tobacco estates.⁵⁴ A 1999 study, which assessed the amount of forest and woodland consumed annually for curing tobacco, concluded that nearly 5% of all deforestation in developing countries where tobacco is grown was due to tobacco cultivation.⁵⁵

Environmental degradation is also caused by the tobacco plant, which leaches nutrients from the soil,⁵⁶ as well as pollution from pesticides and fertilizers applied to tobacco fields.

Tobacco manufacturing also produces an immense amount of waste. In 1995, the global tobacco industry produced an esti-

mated 2.3 billion kilograms of manufacturing waste and 209 million kilograms of chemical waste.⁵⁷ This does not include the enormous amount of litter caused by cigarette butts, most of which, contrary to popular belief, are not bio-degradable. According to one estimate, 954 million kilograms of filters were produced in 1998, with many of them ending up littering the streets, waterways and parklands of countries.⁵⁸ And this figure does not include cigarette packaging, lighters, matches and other waste by-products of tobacco use.



WHO BENEFITS MOST?

Tobacco industry profits soar

While most people toiling in tobacco fields and factories struggle to make ends meet, tobacco industry executives are rewarded handsomely. In 2002, the chief executive officer of Philip Morris/Altria, the world's largest multinational tobacco company, made over US\$ 3.2 million in salary and bonuses,⁵⁹ while a British charity calculates that it would take the average tobacco farmer in Brazil around six years to earn the equivalent of what the director of one of the biggest tobacco companies earns in a single day (and approximately 2 140 years to earn his annual salary).⁶⁰

Over the past few decades, global tobacco production has increased dramatically, particularly in developing countries, where production grew by 128% between 1975 and 1998. Tobacco is now grown in over 100 countries. This massive increase in tobacco cultivation, encouraged and in some cases financed by the tobacco industry, has helped create instability in world prices for tobacco, which fell 37% in real terms between 1985 and 2000.⁶¹

At the same time, the tobacco companies have been developing processes to both use less tobacco per cigarette and to convert sweepings from the factory floor, stems, dust and other previously discarded waste into usable filler for cigarettes. By adding flavourings and other chemicals to this filler to mask the harsh taste, the companies can use even greater quantities of low-quality tobacco plant matter.⁶²

Another major cost-cutting initiative on the part of the tobacco industry is increased mechanization of cigarette manufacturing. New machines can produce 840 000 cigarettes per hour, making

many workers redundant.⁶³ Advances in technology mean job cuts throughout the industry.

Although a small percentage of their overall costs, these savings have certainly helped contribute to the record profits of the tobacco industry. In 2002, Japan Tobacco, Philip Morris/Altria and BAT, the world's three largest tobacco multinationals, had combined tobacco revenues of more than US\$ 121 billion. This sum is greater than the total combined GDP of Albania, Bahrain, Belize, Bolivia, Botswana, Cambodia, Cameroon, Estonia, Georgia, Ghana, Honduras, Jamaica, Jordan, Macedonia, Malawi, Malta, Moldova, Mongolia, Namibia, Nepal, Paraguay, Senegal, Tajikistan, Togo, Uganda, Zambia and Zimbabwe.⁶⁴



Table 1
Tobacco industry profits 2002-2004

	Sales (millions US\$)*	Profits (millions US\$)*	Average profit growth in last 3 years
British American Tobacco PLC (BAT)	19 272	2 095	28.16%
Japan Tobacco International (JTI)	42 380	710	24.96%
Altria (Phillip Morris)	62 182	11 102	13.72%
Imperial Tobacco Group	11 412	424	13.15%
Altadis	3 957	541	47.26%

Source: Financial reports from the companies' web pages.

* Final results for 2002 for BAT, Altria and Imperial Tobacco Group.

Final results for 2003 for JTI and Altadis.

WHO exchange rates as of February 2004.



© WHO



© WHO



© WHO



© WHO, H. Anenden

The truth about tobacco and employment

The tobacco industry's attempt to stave off sensible regulation includes overstating the employment and trade benefits of tobacco to developing countries and raising the spectre of massive job losses if governments move to protect public health. Yet according to the World Bank, these arguments and the data on which they are based misrepresent the effects of tobacco control policies. In fact, job losses resulting from technology changes in the tobacco industry far outstrip any job losses that might result from tobacco control policies.⁶⁵

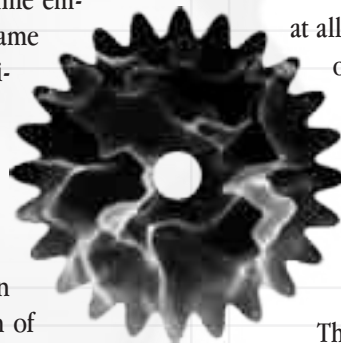
In the United Kingdom, for example, cigarette production increased by 3% between 1990 and 1998, while employment in the tobacco sector during the same period fell by 75%.⁶⁶ In developing and transition countries, where tobacco consumption has been growing, employment has either been declining or stagnating. In Eastern Europe, the large multinational companies have embarked on a programme of rationalization after taking over the former state-owned companies. In 1999, following its acquisition of Rothmans, BAT closed or announced the closure of factories in Australia, Malaysia, Nicaragua, Papua New Guinea, Singapore, South Africa, Spain, Suriname, Switzerland and the United Kingdom,⁶⁷ with consequent job losses.

The tobacco industry consistently exaggerates the economic benefits of producing tobacco. Of the more than 100 countries that grow tobacco, only two— Malawi and Zimbabwe —are heavily dependent on raw tobacco for their export earnings. In the other countries, tobacco exports represent a tiny portion of total exports.⁶⁸ Only 17 of 125 countries that export tobacco leaf derive more than 1% of their total export earnings from tobacco, and only in five of those (the Central African Republic, Malawi,

Uganda, the United Republic of Tanzania and Zimbabwe) do tobacco leaf exports account for more than 5% of total export earnings.⁶⁹

The manufacturing side of the tobacco industry is only a small source of jobs, since it is usually highly mechanized. In most countries tobacco manufacturing jobs account for well below 1% of total manufacturing employment. And, with the exception of a few heavily dependent countries, tobacco farming in most countries makes up a tiny proportion of employment in the agricultural sector. Even in China, the largest tobacco producer in the world, only about 3% of farmers grow any tobacco at all, and tobacco constitutes only about 1% of the value of all agricultural output.⁷⁰ Furthermore, because a large percentage of the cigarettes sold in the world are international brands produced by a handful of multinational companies based in wealthy countries, much of the profit from tobacco sales flows out of the countries of purchase.⁷¹

The World Bank has shown that implementing comprehensive tobacco control policies would have little or no impact on total employment in most countries. Employment would remain about the same or increase in many countries if tobacco consumption were reduced or eliminated, since spending on tobacco products would be shifted to other products and services. This is because of the simple fact that when people quit consuming tobacco, the money they previously spent does not disappear. Rather it is redirected to other goods and services, generating demand and new jobs across the economy. Such policies could, in sum, bring unprecedented health benefits without harming—and quite possibly helping—national economies.⁷²





© WHO, H. Anenden



© WHO



© WHO, C. Gaggero



Photo: N. Kumar, IDRC

Current projections show that the number of smokers worldwide will increase from the current 1.3 billion to more than 1.7 billion in 2025 (due in part to an increase in the global population), if the global prevalence of tobacco use remains unchanged. Even assuming a decrease of overall prevalence at an annual rate of 1%, the number of consumers is expected to increase to 1.46 billion in 2025⁷³. While future declines in consumption will clearly reduce the number of tobacco jobs, those jobs will be lost gradually over decades, not overnight.



TOBACCO CONTROL IS A NECESSITY

Development agencies, donors and multilateral agencies are increasingly recognizing that tobacco is much more than a health issue. While epidemiological research continues to connect tobacco use to numerous serious health problems, economic research now shows that tobacco can exacerbate poverty among users, growers, workers and nations. Tobacco control, rather than being a luxury that only rich nations can afford, is now a necessity that all countries must address.

In a recent session of the United Nations Inter-Agency Task Force on Tobacco Control, the following background observations with regard to the relationship between tobacco and development and poverty were considered:⁷⁴

The Commission on Macroeconomics and Health (CMH), established in 2000 by WHO's Director-General to assess the place of health in global economic development, highlighted the importance of investing in health to promote economic development and poverty reduction in particular in low-income

countries. The Commission recognized that tobacco constitutes an important risk factor on the burden of disease especially for all developing countries.

The European Commission (EC) has specifically recognized tobacco as a development issue. The EC held a high-level round table on "Tobacco Control and Development Policy" in Brussels on 3-4 February 2003. During the discussions, it was stated that tobacco use is increasing in many developing countries, causing a higher death toll of tobacco-related illnesses. This poses a very heavy burden on developing countries, which are already struggling with the health impact of other communicable diseases such as HIV/AIDS, tuberculosis and malaria. The

EC recognizes that tobacco production and consumption contributes to increased poverty and undermines sustainable development, and is keen to support developing countries wishing to address tobacco control, by using existing instruments of development cooperation at country level.

The Development and Assistance Committee Guidelines and Reference Series on Poverty and Health was published in 2003 in collaboration with the Organisation for Economic Co-operation and Development (OECD) and the World Health Organization (WHO). The report recognized that tobacco-related diseases are strongly related to poverty. Tobacco has a profound effect on poverty and malnutrition in low-income countries. The high prevalence of tobacco use among men with little education and a low income has serious poverty implications because of the higher risk of developing dangerous diseases and dying at an early age. In order to counter the ill effects of tobacco use, especially among the poor and in low-income countries, development agencies should use policy dialogue coupled with technical and financial cooperation to support policy change.

The WHO Framework Convention on Tobacco Control: the first step towards the solution

In May 2003, all 192 Member States of the WHO took a historic step by adopting unanimously the WHO Framework Convention on Tobacco Control (WHO FCTC). In doing so, they were showing their commitment to protect their citizens from the damaging effects of tobacco. Measures called for in the Convention would help reduce tobacco consumption. The Convention is the first public health treaty negotiated under the auspices of WHO. It represents a turning point in addressing a major global killer and signals a new era in national and international tobacco control. The WHO FCTC reaffirms the right of all people to the highest standard of health. In contrast to previous drug control treaties, it relies on demand-reduction strategies. The WHO FCTC also recognizes the need to assist tobacco growers and workers whose livelihoods are seriously affected by tobacco control programmes, and states the need to develop appropriate approaches to address the long-term social and economic implications of successful tobacco demand reduction strategies, encouraging countries to support crop diversification and other economically viable alternatives as part of sustainable development strategies⁷⁵.

The WHO FCTC is a tool to deal with what has become a worldwide health threat. It aims to protect national legislation from being circumvented by transnational activities, like cross-border advertising and smuggling of tobacco products.

The Convention sets an international floor for tobacco control with provisions on several issues such as advertising and sponsorship, tax and price increases, labelling, illicit trade and second-hand smoke. Countries and regional economic integration organizations are free to legislate at higher thresholds.

The WHO FCTC will enter into force and therefore will become law for its parties 90 days after the 40th country ratifies it.

In its landmark 1999 report, *Curbing the Epidemic: Governments and the Economics of Tobacco Control*, the World Bank explored the economic dimensions that need to be addressed as nations embark on the road to comprehensive tobacco control. The report systematically and scientifically demolished the doomsday scenarios painted by the tobacco industry that have deterred policy-makers from taking action to protect public health. The WHO FCTC sets out guidelines for the actions that evidence has shown are effective in reducing tobacco use. To support the WHO FCTC means to save lives.

Tobacco companies will continue to seize every available opportunity to encourage tobacco consumption so as to expand and continue to generate huge profits. They will pass on great costs to humanity in preventable disease, early death and economic losses, unless tobacco is strictly regulated. World No Tobacco Day 2004 focuses on the role of tobacco in exacerbating poverty, and calls all countries to implement to the extent of their capabilities comprehensive tobacco control regulations and laws to stop the devastating effects of this epidemic.



- ¹ Guindon GE and Boisclair D. Past, Current and Future Trends in Tobacco Use. *HNP Discussion Paper, Economics of Tobacco Control* Paper No. 6, February 2003.
- ² Shafey O et al. Tobacco Control Country Profiles. Second Edition. American Cancer Society, World Health Organization and International Union Against Cancer, 2003.
- ³ Gajalakshmi CK and Peto R. Studies on Tobacco in Chennai, India. Presented at the 10th World Conference on Tobacco or Health, Chinese Medical Association, Beijing, 1997.
- ⁴ *Smoking Kills: A white paper on tobacco*. London, United Kingdom Department of Health the Stationary Office, 1998. Web site: <http://www.archive.official-documents.co.uk/document/cm41/4177/contents.htm>.
- ⁵ Bobak M et al. Poverty and Smoking. In: Jha P and Chaloupka F, eds. *Tobacco Control in Developing Countries*. Oxford University Press, 2000. Figures by Jha P et al.
- ⁶ Joossens L. *The cigarette "transit" road to the Islamic Republic of Iran and Iraq. Illicit tobacco trade in the Middle East*. Regional Office for the Eastern Mediterranean, World Health Organization, 2003.
- ⁷ *Fact Sheet Tobacco and Poverty*. PATH Canada and Work for a Better Bangladesh. Web site: www.pathcanada.org
- ⁸ Efroymson D et al. Hungry for Tobacco: an analysis of the economic impact of tobacco on the poor in Bangladesh. *Tobacco Control*, 2001, 10:212-217.
- ⁹ Nassar H. The economics of tobacco in Egypt, A New Analysis of Demand. *HNP Discussion Paper, Economics of Tobacco Control* Paper No. 8, March 2003.
- ¹⁰ "The Economics of Tobacco in Viet Nam: Tobacco Expenditures and their Opportunity Cost", (ongoing research project of PATH Canada, Viet Nam, funded by Research for International Tobacco Control (RITC)).
- ¹¹ Nassar H. The economics of tobacco in Egypt, A New Analysis of Demand. *HNP Discussion Paper, Economics of Tobacco Control* Paper No. 8, March 2003.
- ¹² SOS Tabagisme-Niger, *Tabac et pauvreté au Niger (Tobacco and Poverty in Niger)*. Niger, 2003.
- ¹³ Sayginsoy O et al. Cigarette Demand, Taxation, and the Poor: A Case Study of Bulgaria. *HNP Discussion Paper, Economics of Tobacco Control* Paper No. 4, December 2002.
- ¹⁴ de Beyer J, Lovelace C, Yurekli A. Poverty and Tobacco. *Tobacco Control*, 2001;10:210-211.
- ¹⁵ Karki YB et al. A Study on the Economics of Tobacco in Nepal. *HNP Discussion Paper, Economics of Tobacco Control* Paper No. 13, October 2003.
- ¹⁶ de Beyer J, Lovelace C, Yurekli A. Poverty and Tobacco. *Tobacco Control*, 2001;10:210-211.
- ¹⁷ Shah S, Vaite S. Choosing Tobacco over food: daily struggles for existence among the street children of Mumbai, India. In: Efroymson, D, editor. *Tobacco and Poverty, Observations from India and Bangladesh*. PATH Canada, 2002 and Shah S., Vaite S. Pavement dwellers in Mumbai, India: Prioritizing tobacco over basic needs." In: Efroymson D, ed. *Tobacco and Poverty, Observations from India and Bangladesh*. PATH Canada, 2002.
- ¹⁸ Sesma-Vázquez S et al. Tobacco demand in México: 1992-1998. *Salud Publica de Mexico* 2002; 44 Suppl 1:s82-s92.
- ¹⁹ Efroymson D and Saifuddin A. *Hungry for Tobacco, An analysis of the economic impact of tobacco on the poor in Bangladesh*. PATH Canada and Work for a Better Bangladesh, October 2001.
- ²⁰ Gajalakshmi V et al. Smoking and mortality from tuberculosis and other diseases in India: retrospective study of 43000 adult male deaths and 35000 controls. *Lancet*, 2003 Oct 11; 362(9391):1243-4.
- ²¹ de Beyer J, Lovelace C, Yurekli A. Poverty and Tobacco. *Tobacco Control*, 2001;10:210-211.
- ²² CDC. Annual smoking-attributable mortality, years of potential life lost, and economic costs—United States, 1995-1999. *Morbidity and Mortality Weekly Report*, 2002, 51:300-3.
- ²³ *MoneyFacts Life Assurance, Best buys. Money Facts Plc*, 2004 (http://www.moneyfacts.co.uk/life/charts/life_f35ns.htm , accessed 9 March 2004).
- ²⁴ Efroymson D, FitzGerald S. *Tobacco and Poverty, observations from India and Bangladesh*, PATH Canada, 2nd ed., July 2003.
- ²⁵ Sudarshan R, Kaur R. The Tobacco Industry and Women's Employment: Old Concerns and New Imperatives. *The Indian Journal of Labour Economics*, Vol. 42, No. 4, 1999.
- ²⁶ Brands A and Prakash R. *Bidis and the bidi workers. Observations in India*. Geneva, World Health Organization Report, 2002 (unpublished).
- ²⁷ Ligomeka B. Malawi Admits Use of Illegal Child Labour. *African Eye News Service*, 16 November 2000.
- ²⁸ Blanchet T. Child Work in the Bidi Industry. In: Efroymson D. ed. *Tobacco and Poverty, Observations from India and Bangladesh*. PATH Canada, 2002.
- ²⁹ Arcury TA et al. High levels of transdermal nicotine exposure produce green tobacco sickness in Latino farm workers. *Nicotine & Tobacco Research*, 2003; 5:315-321.
- Ballard T et al. Green tobacco sickness: occupational nicotine poisoning in tobacco workers. *Archives of Environmental Health*, 1995; 50:384-389.
- ³⁰ Aldicarb CC. *Journal of Pesticide Reform*, Summer 1992.
- ³¹ Cox C. Chlorpyrifos Factsheet, Part 2. *Journal of Pesticide Reform*, Spring 1995.
- ³² Cox C. 1,3-Dichloropropene. *Journal of Pesticide Reform*, Spring 1992.
- ³³ Ellison K. Tobacco farming central shifts to South America, *Miami Herald*, 29 June 1997 cited in Campaign for Tobacco Free Kids, *Barren Leaf, Golden Harvest: The Costs of Tobacco Farming*, 2001.
- ³⁴ Salvi RM et al. Neuropsychiatric evaluation in subjects chronically exposed to organophosphate pesticides. *Toxicological Sciences*, 2003; 73:267-271.
- Jamal GA et al. A clinical neurological, neurophysiological, and neuropsychological study of sheep farmers and dippers exposed to organophosphate pesticides. *Occupational and Environmental Medicine*, 2002. 59:434-441; Christian Aid/ DESER, "Hooked on Tobacco report February 2002".
- ³⁵ Falk JW et al. Suicidio e doença mental em Venâncio Aires-RS: consequência do uso de agrotóxicos organofosforados? Relatório preliminar de pesquisa, 1996.
- ³⁶ World Health Organization public hearings Framework Convention on Tobacco Control. 17 August 2000.
- ³⁷ Tanzania's Tobacco Production Could Fall. *Tobacco Journal International*, 8 March 2000, Pamphil HM Kweyuh. Does Tobacco Growing Pay? The Case of Kenya. In: *The Economics of Tobacco Control: Towards an Optimal Policy Mix*, Abedian et al. eds. Cape Town: Applied Fiscal Research Centre, 1998; British American Tobacco Issues Warning To Kenyan Growers, *Tobacco International*, November 1999; and Wafula R. BAT takes a hard line on debtor farmers. *Daily Nation*, 9 July 1999.
- ³⁸ Schemo DJ. Brazil Tobacco Country, Conglomerates Rule. *New York Times*, 2 April 1998.
- ³⁹ Prabhat Jha, Chaloupka FJ. *Curbing the epidemic: Governments and the economics of tobacco control*. Washington, D.C, World Bank, 1999.
- ⁴⁰ *Morbidity and Mortality Weekly Report Highlights*. April 12, 2002, Vol. 51, No. 14.
- ⁴¹ Nassar H. The economics of tobacco in Egypt, A New Analysis of Demand. *HNP Discussion Paper, Economics of Tobacco Control* Paper 8, March 2003.
- ⁴² Jin S et al. An Evaluation on Smoking-induced Health Costs in China (1988–1989). *Biomedical and Environmental Sciences*, 1995, 8:342–9.
- ⁴³ Bo-Qi Liu et al. "Emerging tobacco hazards in China: 1. Retrospective proportional mortality study of one million deaths, *British Medical Journal*, 1998 November 21; 317 (7170): 1411–1422.
- ⁴⁴ Shaping the Future *The World Health Report 2003*.
- ⁴⁵ Prabhat Jha, Chaloupka FJ. *Curbing the epidemic: Governments and the economics of tobacco control*. Washington, D.C, World Bank, 1999.
- ⁴⁶ Jiang Y, Jin S. Social economic burden attributed to smoking in China, 1998. Paper presented at the *National Conference on Policy Development of Tobacco Control in China in the 21st Century*, Beijing, 29–31 May 2000; and: Hu TW and Z. Mao. Effects of cigarette tax on cigarette consumption and the Chinese economy. *Tobacco Control*, 2002;11:105–108.
- ⁴⁷ From FAO Database, <http://apps.fao.org>
- ⁴⁸ The cigarette "transit" road to the Islamic Republic of Iran and Iraq. Illicit tobacco trade in the Middle East. Regional Office for the Eastern Mediterranean, World Health Organization, 2003.
- ⁴⁹ Joossens L. How to combat tobacco smuggling through the WHO Framework Convention on Tobacco Control. Presentation at the *Second World Conference on Modern Criminal Investigation, Organized Crime and Human Rights*, Durban, 7 December 2001.
- ⁵⁰ Prabhat Jha, Chaloupka FJ. *Curbing the epidemic: Governments and the economics of tobacco control*. Washington, D.C, World Bank, 1999.
- ⁵¹ Ibid.
- ⁵² Ibid.
- ⁵³ Geist HJ. Global assessment of deforestation related to tobacco farming. *Tobacco Control*, 1999, 8:18–28.
- ⁵⁴ Geist HJ. How tobacco farming contributes to tropical deforestation. *The Economics of Tobacco Control: Towards an Optimal Policy Mix*, Abedian et al, eds. Cape Town. Applied Fiscal Research Center, 1998.
- ⁵⁵ Geist HJ. Global assessment of deforestation related to tobacco farming. *Tobacco Control*, 1999, 8:18-28.
- ⁵⁶ Geist HJ. Soil Mining and Societal Responses. In: Lohnert Band Geist H eds. *Coping with Changing Environments*. Ashgate Publications, 1999.
- ⁵⁷ Novotny TE, Zhao F. Consumption and production waste: another externality of tobacco use. *Tobacco Control*, 1999, 8:75–80.
- ⁵⁸ Register K. Cigarette Butts as Litter: Toxic as Well as Ugly. *Underwater Naturalist: Bulletin of the American Littoral Society*, Volume 25, Number 2, August 2000.
- ⁵⁹ Philip Morris/Altria Securities and Exchange Commission Form DEF-14a, 17 March 2003.
- ⁶⁰ Christian Aid/ DESER, *Hooked on Tobacco report February 2002*.
- ⁶¹ Jacobs R et al. The Supply-Side Effects of Tobacco Control Policies. In: Jha and Chaloupka, eds. *Tobacco Control in Developing Countries*, Oxford University Press, 2000.
- ⁶² Glass C. Paper Tobacco. *Tobacco Reporter*. August 1998. For a full discussion of these technological innovations, see: The Campaign for Tobacco Free Kids, *Golden Leaf, Barren Harvest, the Costs of Tobacco Farming*. Washington, DC, 2001.
- ⁶³ www.brownandwilliamson.com
- ⁶⁴ Philip Morris/Altria, BAT and Japan Tobacco 2002 Annual Reports. Washington, D.C, World Bank, World Development Indicators, July 2003.
- ⁶⁵ van Liemt G. *The world tobacco industry: Trends and prospects*. Geneva, International Labour Office, Working Paper 179, 2002.
- ⁶⁶ Employment trends in the tobacco sector: Challenges and prospects. Report for discussion at the *Tripartite Meeting on the Future of Employment in the Tobacco Sector 2003*. Geneva, International Labour Organization, 2003.
- ⁶⁷ Ibid.
- ⁶⁸ Prabhat Jha, Chaloupka FJ. *Curbing the epidemic: Governments and the economics of tobacco control*. Washington, D.C, World Bank, 1999.
- ⁶⁹ *UNCTAD Handbook of Statistics*. Tobacco leaves export data from FAO statistical database (<http://apps.fao.org>) for 2002; Value of total exports by country for 2002, 2003.
- ⁷⁰ Hu T and Mao Z. Tobacco Farming and Government Policies in China. World Bank Discussion Paper, forthcoming.
- ⁷¹ See for example BAT Seeking Demerger of Valtobac. *The Daily News* (Harare); 29 August 29 2003.
- ⁷² Prabhat Jha, Chaloupka FJ. *Curbing the epidemic: Governments and the economics of tobacco control*. Washington, D.C, World Bank, 1999.
- ⁷³ Guindon GE and Boisclair D. Past, Current and Future Trends in Tobacco Use. *HNP Discussion paper, Economics of Tobacco Control* Paper No. 6, February 2003.
- ⁷⁴ Extracts from the draft report by the Secretary-General to ECOSOC for the United Nations Task Force, WHO 2004.
- ⁷⁵ Final text of the WHO Framework Convention on Tobacco Control.

Tobacco Free Initiative

World Health Organization

20, Avenue Appia

1211 Geneva 27

Switzerland

Tel: +41 22 791 2126

Fax: +41 22 791 4832

E-mail: tfi@who.int

www.who.int/tobacco

