



Reducing tobacco affordability, consumption and health inequities with tobacco tax increases

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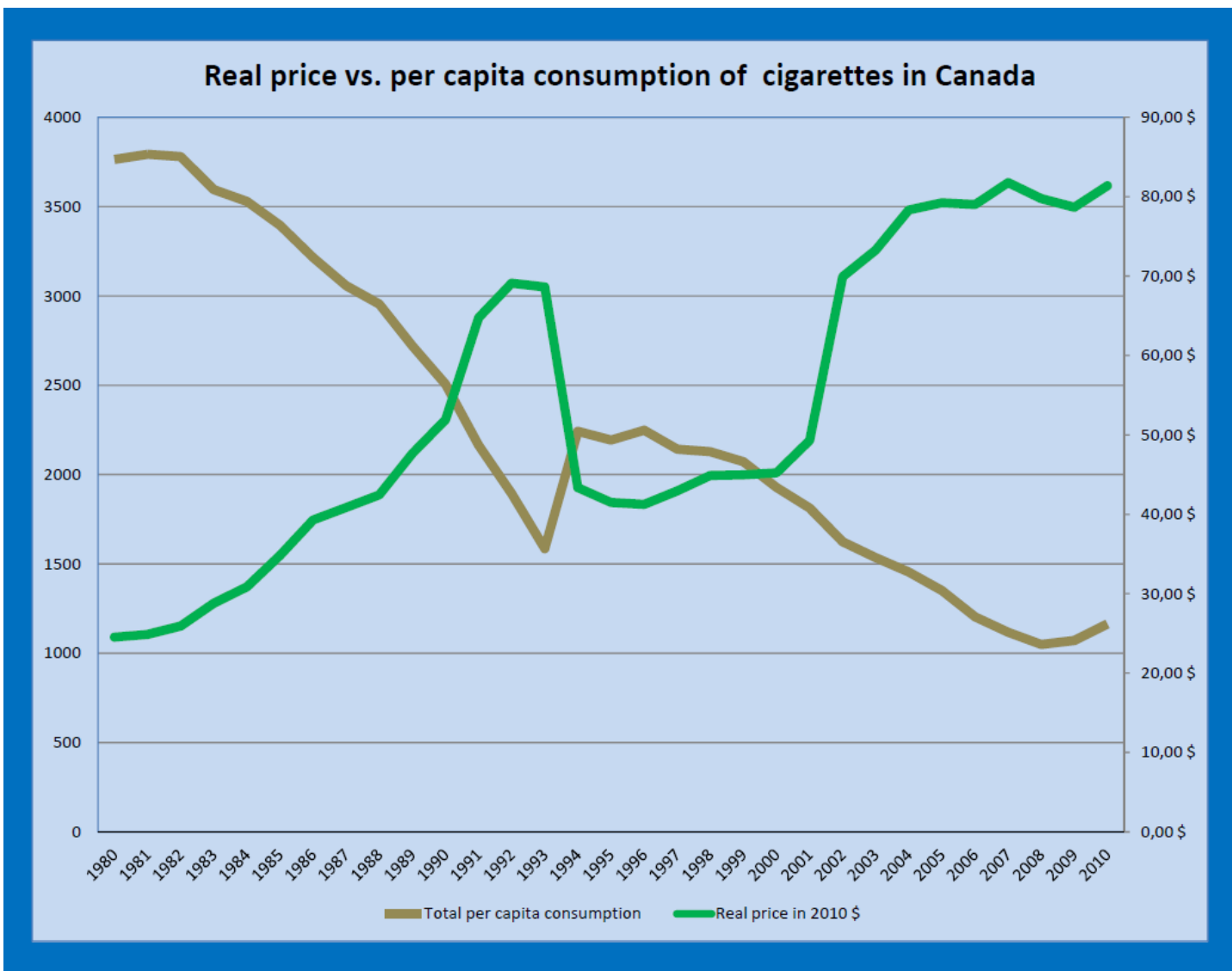


The World Bank has concluded that **increasing tobacco taxes** is the *single most important step* that governments can take to reduce smoking among both adults and youth.

Tax increases:

- prevent initiation of tobacco use
- increase motivation for smokers to quit
- reduce consumption among those who remain smokers







2002 Alberta Tobacco Tax Increase

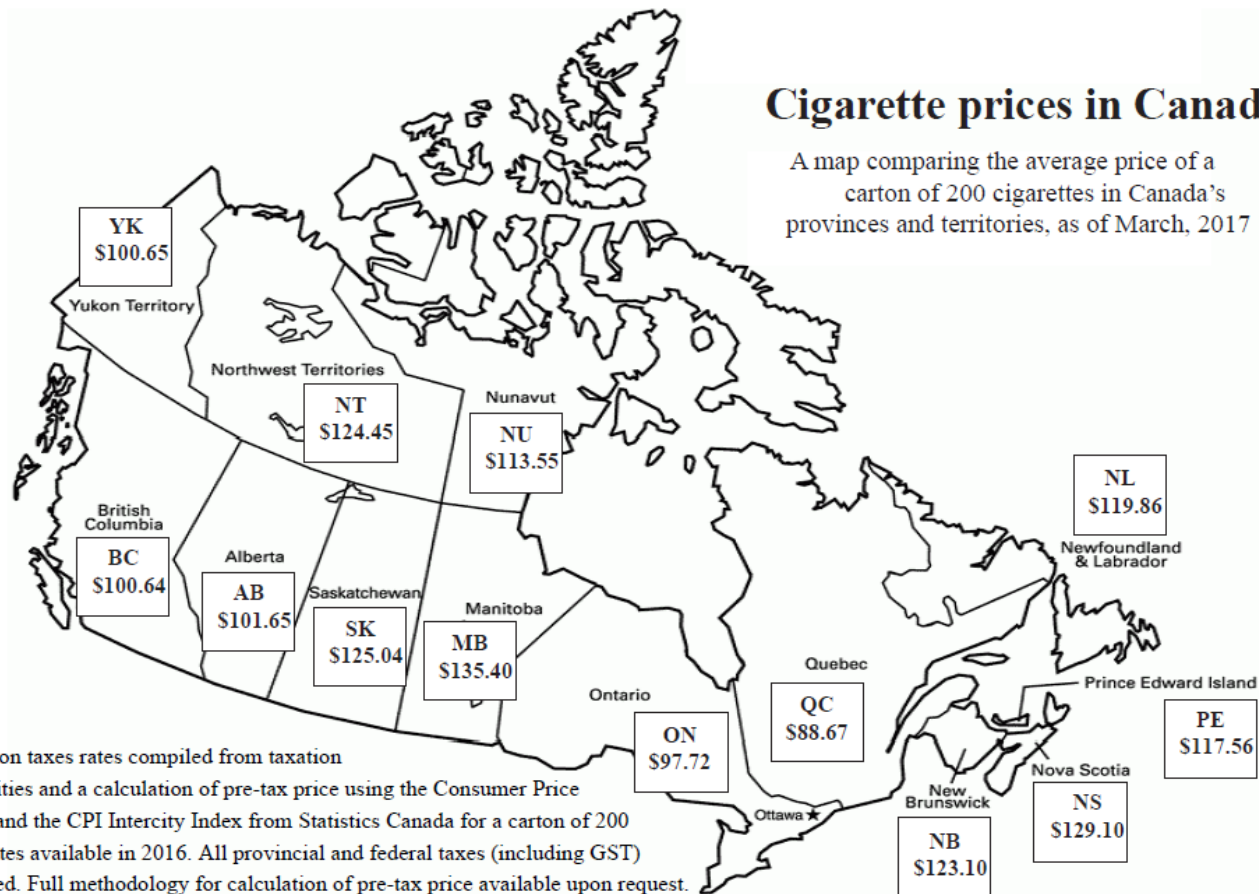
- \$2.25 per 25 cigarettes (30% price increase)
- Adult smoking among those aged 15 and over dropped from 25% to 23% resulting in 44,000 fewer adult smokers
- Per-capita consumption declined by 24%
- Youth smoking among those aged 15-19 dropped from 24% to 19%
- Reductions were sustained





Cigarette prices in Canada

A map comparing the average price of a carton of 200 cigarettes in Canada's provinces and territories, as of March, 2017



Notes:

Based on taxes rates compiled from taxation authorities and a calculation of pre-tax price using the Consumer Price Index and the CPI Intercity Index from Statistics Canada for a carton of 200 cigarettes available in 2016. All provincial and federal taxes (including GST) included. Full methodology for calculation of pre-tax price available upon request.

Source: Smoking and Health Action Foundation, www.nsra-adnf.ca





In order to reduce consumption, an increase in the real price of tobacco must be relatively higher than any recent increase in wages.

Guinon, G. E., Tobin, S, & Yach D (2002). Trends and affordability of cigarette prices: Ample room for tax increases and related health gains. *Tobacco Control*, 11, 35–43.





$$\text{Affordability} = \frac{\text{Price}}{\text{Wages}}$$

Expressed in minutes or hours of labour

Example:

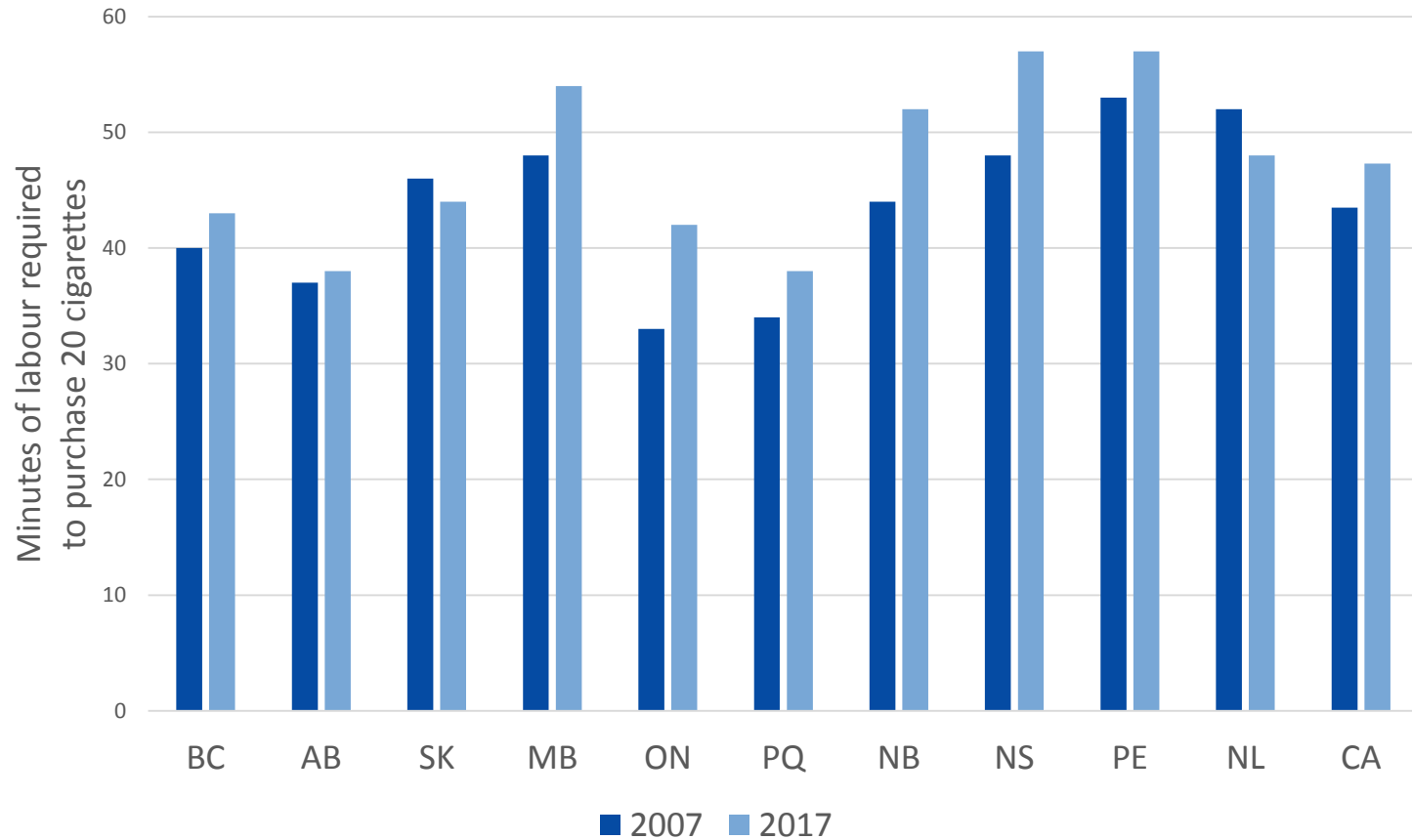
$$\frac{\$10 \text{ (price of 20 cigarettes)}}{\$20 \text{ (hourly wage)}}$$

= 0.5 hours of labour required to purchase 20 cigarettes



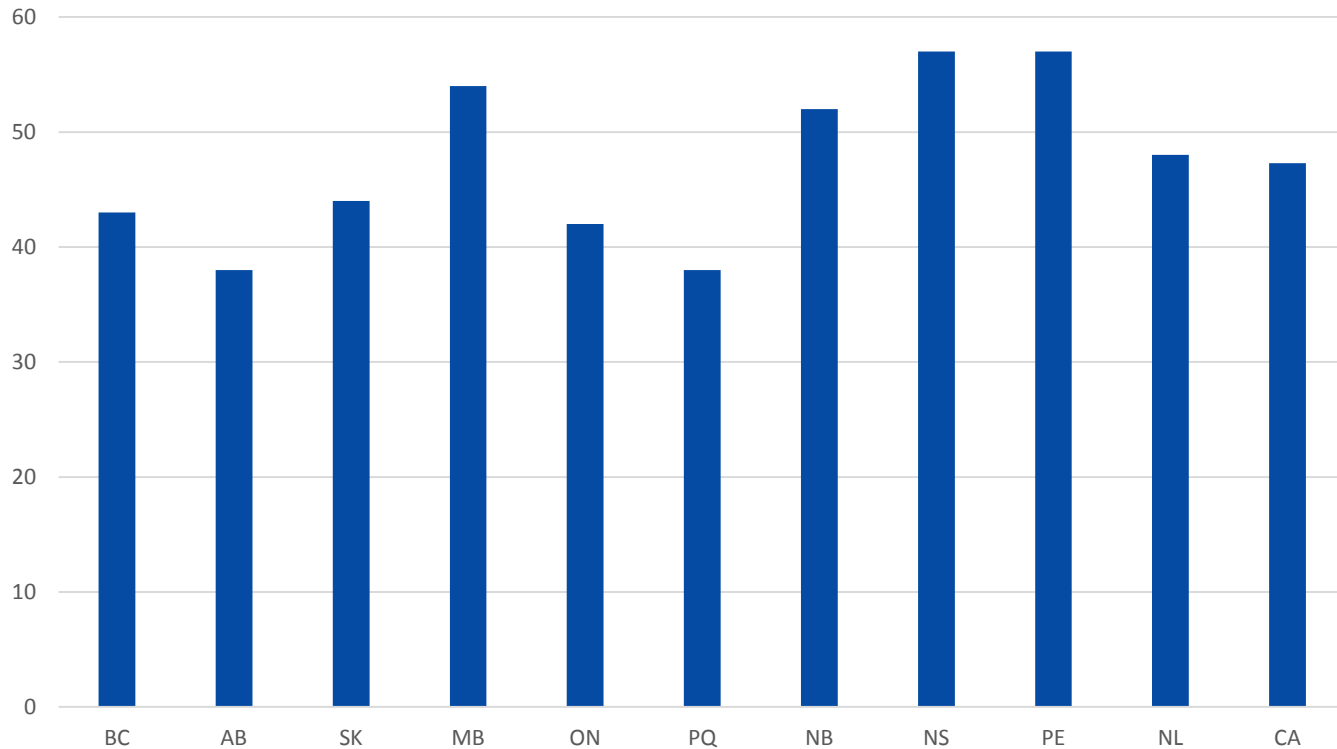


Tobacco Affordability by Province, 2007 and 2017 (Among those aged 15 to 24)





Tobacco Affordability Among Youth Aged 15-24 (Minutes of labour required to purchase 20 cigarettes) May 2017





Recommendations

- Reframe tobacco taxation and pricing as tobacco *affordability*
- Urge governments to ensure that taxes keep pace with wages
- Discounting also affects tobacco pricing and affordability and must be considered
- Duty-free sales should be eliminated
- First Nations should be encourage to collect local tobacco taxes that are equivalent to provincial taxes





Tobacco tax increases reduce health inequities

- Young people and low-income earners have less disposable income, making tax policy one of the main tools in reducing tobacco dependency^{1,2}
- Price increases **reduce** health inequities between the rich and poor as low income smokers are highly price responsive out of necessity and are 2 – 3 more likely to quit³
- Low income smokers should be offered subsidized cessation treatment

¹ Laugesen, Murray et al, *World's Best Practice in Tobacco Control*, *Tob. Control* 2000;9;228-236 doi:10.1136/tc.9.2.228

² Ross, H. and Chaloupka, F. J., *The effect of cigarette prices on youth smoking*. *Health Economics*, 2003, 12: 217–230. doi: 10.1002/hec.709

³ Ross, H., Powell, L. M., Tauras, J. A. and Chaloupka, F. J. (2005), *New Evidence on Youth Smoking Behavior based on Experimental Price Increases*. *Contemporary Economic Policy*, 23: 195–210. doi: 10.1093/cep/byi015





WHO: Tobacco tax increases reduce health inequities¹

- Tobacco taxes are particularly effective in preventing or reducing tobacco use among the young and the poor.
- Tax increases help the poor to stop using tobacco...and to reallocate their money to essential goods, including food, shelter, education and health-care.
- Higher taxes also help poor families improve productivity and wage-earning capacity by decreasing tobacco-related illness and death.

¹World Health Organization. Mpower: WHO Report on the Global Tobacco Epidemic, 2008.
<http://www.who.int/tobacco/mpower/en/>





Trends in Income-Related Health Inequalities
in Canada

Summary Report

November 2015



Factors Influencing Health





Questions?

