**7.8**  **A smokefree dividend**

In *Advancing our health: Prevention in the 2020s* the government set out the ambition of making smoked tobacco obsolete by 2030.(1) This presents a major opportunity, not simply to improve health and to reduce health inequalities but to improve the finances of the UK’s most disadvantaged families and our most deprived communities.

Smoking rates are highest among the populations that can least afford it (see Chapter 2) and it is estimated that over 1 million people, including over a quarter of a million children, live in poverty as a result of the cost of smoking to the family budget.(2) Furthermore, this spending is not useful to the local economy as almost all of the money spent on tobacco is transferred to the treasury in the form of duties, to manufacturers including in supernormal profits, or to criminals through the illicit trade in tobacco products. Indeed, typically only around 7% of the revenue from the sale from tobacco products is retained by retailers.(3) We therefore estimate that if smoking were to become obsolete, at least 93% of current spending on tobacco would be the benefit redistributed back into local communities. Ending smoking, therefore is not only a powerful measure to reduce health inequalities it is a highly targeted tax cut which directly benefits our most deprived families and depressed economies, which we will refer to as the ‘smokefree dividend’ from now on. As with any injection to local economies, It is likely that some of the money spent will go on other commodities that are to a greater or lesser degree unhealthy and may, before long leak from the local economy but there are no legal commodities so thoroughly unhealthy and few that so effectively drain funds from the most disadvantaged communities. Restoring these funds to household budgets leaves those families in greater charge of how they spend their share of the smokefree dividend.

The Smoking Toolkit Study (STS) (4) includes questions on spend on tobacco products, providing a self-reported average in the region of £20 per smoker per week based on data collected between 2014 and 2019. However, this self-report is conservative as it implies a total spend of £7.12 billion per year which is well below the total collected by the government in tobacco duty alone (£9.29 billion in 2018/19). Based on government revenue from tobacco products(5), HMRC estimates of the tax gap(6) and the estimated smoking population(7) we estimate that the average smoker spends at least £33 per week on tobacco products and have therefore multiplied the survey responses by a factor of 1.57 to account for underreporting of spend.

**Table 1: Calculation of estimated spend on tobacco**

|  |  |  |
| --- | --- | --- |
| a | Tobacco duty paid (£millions) | 9,290 |
| b | Estimated tax gap (£millions) | 1,900 |
| c = (a+b) | Total revenue (£millions) | 11,190 |
| d | Smoking population 2018 (millions) | 6.4 |
| e = (c/d) | Estimated annual spend (£) | 1,759 |
| f = (e/52) | Estimated weekly spend (£) | 33.83 |
| g | Reported weekly spend (STS) | 21.53 |
| h = (f/g) | Upshift factor | 1.57 |

The heaviest economic burden falls on the localities that are least able to bear it. Based on self-reported occupation and weekly spend in the STS data and applying the upshift factor to account for underreporting, we estimate ABC1 Smokers spend £33.40 per week compared to the higher smoking prevalence group of C2DE smokers spending £34.12. Older smokers also report spending more on cigarettes than average and we estimate that the average smoker over the age of 65 in England spends £38.05 on tobacco products per week.

Table 2. Average weekly spend on tobacco by socio-economic status (SES) and age group\*

|  |  |  |
| --- | --- | --- |
| **Group** | | **Average weekly spend per smoker\*** |
| All adults (age 16+) | | 33.83 |
| SES | ABC1 | 33.40 |
|  | C2DE | 34.12 |
| Age group | 16-24 | 25.53 |
|  | 25-34 | 32.16 |
|  | 34-44 | 35.08 |
|  | 45-54 | 37.08 |
|  | 55-64 | 37.67 |
|  | 65+ | 38.05 |

\*upshift of 1.57 has been applied to recorded data to account for underreporting of tobacco spend

The impact on the most deprived becomes even more stark when spend on smoking is expressed as a percentage of income. Applying estimated spend to smoking populations calculated using ONS mid-year population estimates and smoking prevalence from the Annual Population Survey, an estimate can be made for different areas in England of the average weekly spend per smoker, the total spend on smoking in the locality and the percentage of a smoker’s income spent on tobacco products. Table 3 shows that the estimated weekly spend by region varies from £29.38 in the South West to £37.78 in the North East, which is 5.67% and 7.48% of the average income in these areas respectively. London has the lowest percentage of income spent on tobacco at 4.60%.

Table 3. Expenditure on smoking as a proportion of income

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Region** | **Average weekly spend per smoker\* (£)** | **% of income spent on tobacco\*\*** | **Total estimated annual expenditure in region (£000's)\*\*\*** | **Annual Smokefree Dividend (£000's)** |
| North East | 37.78 | 7.48 | 667,319 | 620,607 |
| West Midlands | 35.43 | 6.70 | 1,228,369 | 1,142,383 |
| Yorkshire & the Humber | 33.95 | 6.59 | 1,269,937 | 1,181,041 |
| East Midlands | 34.41 | 6.53 | 1,079,030 | 1,003,498 |
| North West | 33.52 | 6.31 | 1,472,824 | 1,369,726 |
| East of England | 34.99 | 5.90 | 1,236,060 | 1,149,536 |
| South West | 29.38 | 5.67 | 952,032 | 885,390 |
| South East | 33.29 | 5.30 | 1,605,262 | 1,492,894 |
| London | 33.37 | 4.60 | 1,660,471 | 1,544,238 |

\*upshift of 1.57 has been applied to recorded data to account for underreporting of tobacco spend

\*\*based on ONS estimates of weekly household income by LA

\*\*\* based on smoking population 2018 estimated from Annual Population Survey smoking prevalence estimates and ONS mid-year population estimates

As we look at smaller geographical areas such as local authorities (LAs) there is larger variation in both average weekly spend and the percentage of income spent on tobacco products. Figure 1 shows the average income by LA split into deciles with higher income represented by darker colour. Figure 2 shows the percentage of income spent on tobacco products by LA, also split into deciles, with the higher percentage represented by darker colour. When viewed together there are clear correlations with the lighter areas in the map on one corresponding to darker areas in the other, which clearly shows that poorer communities are those spending a higher proportion of their income on tobacco products.

**Figure 1: Decile of average income for LAs in England**Graphical user interface, website, map

Description automatically generated

**Figure 2: Decile of percentage of average weekly income spent on tobacco products for LAs in England**

Graphical user interface, website

Description automatically generated

Table 4 summarises tobacco expenditure in the LAs with the highest expenditure on tobacco as a proportion of income. We estimate that the LAs where smokers spend the highest proportion of their income on smoking are Halton, Bolton, Oldham, Redcar & Cleveland, Salford, Wolverhampton, Middlesbrough, Stockport, Kingston upon Hull and Tameside. The LAs where the average smoker spends the lowest percentage of their household income on tobacco products are Kensington & Chelsea, Wandsworth, Westminster, Kingston upon Thames and Hammersmith & Fulham.

Table 4. Expenditure on smoking in the local authorities with the highest tobacco expenditure as a proportion of income

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Local Authority** | **Average weekly spend per smoker\* (£)** | **% of income spent on tobacco\*\*** | **Total estimated annual expenditure in LA (£000's)\*\*\*** | **Annual Smokefree Dividend (£000's)** |
| Halton | 50.69 | 9.99 | 47,198 | 43,894 |
| Bolton | 47.29 | 9.59 | 81,761 | 76,038 |
| Oldham | 42.32 | 9.04 | 69,917 | 65,023 |
| Redcar and Cleveland | 40.25 | 9.02 | 30,921 | 28,757 |
| Salford | 44.40 | 8.95 | 91,218 | 84,833 |
| Wolverhampton | 42.60 | 8.87 | 74,427 | 69,217 |
| Middlesbrough | 40.77 | 8.73 | 39,949 | 37,153 |
| Stockport | 52.13 | 8.60 | 82,196 | 76,442 |
| Kingston upon Hull | 36.46 | 8.43 | 100,652 | 93,606 |
| Tameside | 39.51 | 8.34 | 61,186 | 56,903 |

\*upshift of 1.57 has been applied to recorded data to account for underreporting of tobacco spend

\*\*based on ONS estimates of weekly household income by LA

\*\*\* based on smoking population 2018 estimated from Annual Population Survey smoking prevalence estimates and ONS mid-year population estimates

In Halton the average smoker is estimated to spend almost 10% of their income on tobacco products, almost four times as much as in Kensington & Chelsea. This not only represents a heavy burden on the household budget, but because almost all the money spent flows directly out of the local economy, it places an additional burden on the community. By applying the average cost in each local authority by their estimated smoking population (8), we estimate that £47,198,000 is spent on tobacco products in Halton each year and that the dividend to the local economy of making smoking obsolete would be £43,894,000 each year. In Bolton, Salford, Stockport and Kingston upon Hull the smokefree dividend would be more than £75 million per year.

Over the past half century smoking has become increasingly concentrated in our most deprived communities and consequently, so too has the burden on health and wealth. Spending on tobacco is not a transaction entered into freely. Most smokers say that they want to quit and every year more than one in three make a serious attempt to quit. However, tobacco dependence makes this choice harder to implement and data show that nicotine dependence increases with age and deprivation. High rates of parental smoking not only make disadvantaged children sick, it keeps them poor, it blights their communities with premature mortality and sustained disability. It is beyond the scope of this report to estimate the enduring impact on local economies although what economists refer to as a multiplier effect seems likely. ~~Consequently, it must be concluded~~ What is evidence is that making smoking obsolete would act as a highly targeted tax cut reaching precisely our most deprived families and communities making a material difference to household finances and local economies, releasing funds to families to spend on what matters to them most.

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