The Myths and Realities of Financial Effects of Clean Indoor Air Legislation

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February 1, 2004

When dealing with smokefree issues there is no area that has engendered more debate between the business and health care communities than that of the economic effects of proposed clean indoor air ordinances. The tobacco industry has preyed on the genuine concerns of owners and proprietors that many smoking patrons might abandon them if smoking is not allowed. Smokefree and health care advocates must realize that the burden of proof rests with those who propose change. Fortunately the evidence is now clear and abundant: there is no negative economic effect of smoking bans. To the contrary, many studies show a substantial financial benefit in addition to the incalculable health benefit.

The now defunct Tobacco Institute, tobacco manufacture themselves, and many industry front groups regularly make repeated claims of devastating business losses they attributed to clean indoor air regulation.[1] Given the legitimate anxiety that business owners feel when threatened by any new government decree, and coupled with the strong sense of independence of most entrepreneurs, this was often a very effective strategy. Big tobacco also sponsored a number of "economic impact evaluations" of businesses after clean air laws, usually restaurant regulation, went into effect. These subjective, self-report surveys invariably concluded that business declines of 30-60% were common and that many restaurants failed due to these "burdensome" and "invasive" regulations.[2,3] The previous Franklin County and Columbus Board of Health experience of 1993-94 is replete with such exaggerated claims.[4]

Prior to the mid 1990's clean indoor air advocates were forced to argue that health supercedes economics – a claim that has legitimacy, but often falls short for owners and employees who feel that their livelihoods are threatened. Now, especially with the California and New York City experience, and bolstered by more than 50 objectives studies,[5] we know that patronage does not decline with smokefree regulation and that employee health and its associated costs actually improve.

One of the earliest comparative studies was that undertaken in Sacramento, California. This report examined tax receipts from restaurants when the city, but not the suburbs, mandated smokefree restaurants. Owners and employees felt threatened by the possibility that smokers would selectively patronize suburban restaurants and sales in city restaurants would decline. Over the two years subsequent to the ban, Sacramento city restaurant sales actually improved at a rate faster than in years previous to smokefree regulation.[6]

Glantz et al then followed the objective measure of taxable receipts for restaurants throughout California when a statewide ban became effective in 1995. These results echoed those of Sacramento. Restaurant patrons are not deterred by clean indoor air. Either smokers did not leave, or those who did were readily replaced by nonsmokers enjoying a smokefree environment. In any case, receipts grew at a rate equal to or exceeding that of previous years.[7] New York City took all restaurants over 35 seats smokefree in 1995 as well. Tax receipts demonstrated no negative effect of those regulations.[8]

The issue of bars

No single issue has galvanized the passion of smokers and the manipulative chicanery of the tobacco industry as much as the topic of smokefree bars. 'Smoking and drinking' seem inexorably linked to many devotees of both. They may see the bar as the last bastion of a socially ostracized nicotine addiction.

Many bar owners and bar personnel are smokers themselves, and are reluctant to part with their perceived "right" to smoke at work or in an establishment they own.

So sacrosanct has the bar seemed that even tobacco control advocates have been reluctant to immediately press for equal protection of bar workers and bar patrons. California's "Smoke-Free Workplace Law" went into effect for all workplaces except bars in January of 1995. With the blessing of health advocates, the legislature granted bars an exemption until January of 1997.[9] During the interim two years the tobacco industry then fought vociferously to repeal the bar regulations with multiple repeal efforts and an $18 million initiative campaign,[10] eventually winning a one year delay.

Even after the January 1, 1998 implementation of clean indoor air legislation for bars, the tobacco industry continued to press for repeal citing drastic reductions in bar revenues and widespread disregard for the law.[11] It was not until the California State Senate commissioned the California Board of Equalization (a state agency responsible for tax implementation) to undertake a study of tax receipts at bars before and after the ban, that the issue was laid to rest. The Board's investigation demonstrated that across the board from the smallest to the largest bar retailers, taxable receipts in bars increased between 1 and 35% from 1997 to 1998.[12] Moreover current compliance with clean indoor air regulation in California restaurant bars is 98% and in stand-alone bars 76%[13]

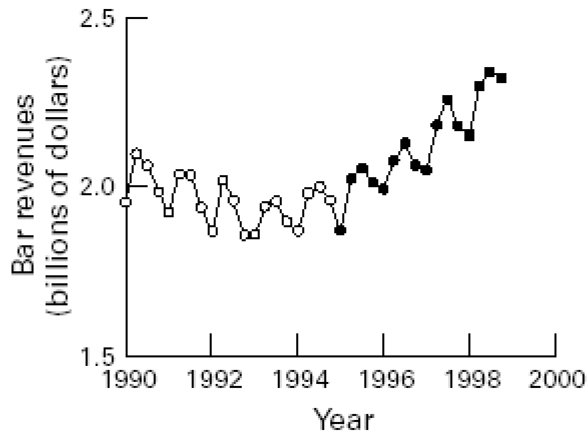

Figure 1 Total revenues from eating and drinking establishments with full liquor licences in California before a state smokefree workplace law went into effect (open circles), after restaurant provisions went into effect (solid circles), and when bars were required to be smokefree (solid squares). Data from quarterly reports of the California State Board of Equalization.

Outside California

In the last year five other states, Connecticut, Delaware, Maine, Massachussets and New York, have enacted clean indoor air regulations that cover virtually all workplaces including restaurants and bars, and in some places bowling alleys and casinos. Utah, Oklahoma, Vermont and Florida have new regulations that cover restaurants and bars associated with restaurants, exempting only stand-alone bars. Sweden prohibits smoking in all workplaces and even Ireland, with its resolute pub tradition has a complete ban scheduled to go into effect in early 2004. In all over 1600 US cities have some form of protection for hospitality workers and patrons. Nearly 200 municipalities have a comprehensive smokefree workplace law in place.[14]

The lessons from these newest regulations is just beginning to come in, but even before these more comprehensive bans went into place, local and state restaurant ordinances have been extensively studied in Los Angeles, New York City, Boulder, Flagstaff and Boston.[15] According to New York State Department of Labor's statistics, during the first quarter after New York City mandated clean indoor air in all bars and restaurants, the hospitality industry there added 10,000 jobs.[16] Recently, the NYC Department of Finance also released tax revenue statistics showing 12% increase in receipts in the six months following the ban compared to the same period the year before.[17] Likewise Tempe, Arizona, where smoking is banned and bars and restaurants saw an increase in requests for bar licenses and an 85% positive rating on the ordinance from visitors to Tempe. In fact it seems likely that Arizona will soon join the list of statewide bans.

What about employees?

Often overlooked, however, is the effect that smoking bans have on the smoking habits of employees. In a confidential memo in 1993, a Philip Morris executive wrote: "*The second major threat we face is from smoking bans. If smokers can't smoke on the way to work, at work, in stores, banks, restaurants, malls and other public places, they are going to smoke less. Overall cigarette purchases will be reduced and volume decline will accelerate".*[18] He was correct. Several studies have examined worker behavior. A meta-analysis of these studies demonstrates that 4% of employees will quit outright and most others will reduce their total cigarette usage. The result is a 29% decrease in cigarettes smoked.[19] Because the dangerous effects of smoking are clearly dose related, this can only mean significant health benefits for employees and substantial economic benefits to their employers.

Economic Conclusions:

The bottom line is this: protecting all workers from the dangers of toxic secondhand smoke is the right thing to do. It saves lives – both smokers and nonsmokers – and it saves money. It costs almost nothing to implement and patrons quickly adjust. Relentless tobacco industry propaganda notwithstanding, there is no economic downside, only a safer environment for workers and a more stable and predictable business environment for everyone.

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