

## **Business Costs in Smoke-filled Environments**

The U.S. Surgeon General has concluded that adopting smokefree workplace policies is a wise business decision. The results of all credible peer-reviewed studies show that smokefree policies and regulations do not have a negative impact on business revenues. Establishing smokefree workplaces is the simplest and most cost effective way to improve worker and business health.<sup>1</sup>

### **Profitability**

- The Society of Actuaries has determined that secondhand smoke costs the U.S. economy roughly \$10 billion a year: \$5 billion in estimated medical costs associated with secondhand smoke exposure, and another \$4.6 billion in lost wages. This estimate does not include youth exposure to secondhand smoke.<sup>2</sup>
- If all workplaces were to implement 100% smokefree policies, the reduction in heart attack rates due to exposure to secondhand smoke would save the United States \$49 million in direct medical savings within the first year alone. Savings would increase over time.<sup>3</sup>
- Smokefree laws add value to establishments. Restaurants in smokefree cities have a higher market value at resale (an average of 16% higher) than comparable restaurants located in smoke-filled cities.<sup>4</sup>

### **Absenteeism and Lost Productivity**

- The U.S. Surgeon General has concluded that smokefree workplace policies lead to less smoking among workers and the elimination of secondhand smoke exposure, thus creating a healthier workforce.
- Cigarette smoking and secondhand smoke cost \$92 billion in productivity losses annually, according to the U.S. Centers of Disease Control and Prevention.<sup>5</sup>
- Smokers, on average, miss 6.16 days of work per year due to sickness (including smoking related acute and chronic conditions), compared to nonsmokers, who miss 3.86 days of work per year.<sup>6</sup>
- In a study of health care utilization in 20,831 employees of a single, large employer, employees who smoked had more hospital admissions per 1,000 (124 vs. 76), had a longer average length of stay (6.47 vs. 5.03 days), and made six more visits to health care facilities per year than nonsmoking employees.<sup>7</sup>
- A national study based on American Productivity Audit data of the U.S. workforce found that tobacco use was one of the greatest variables observed when determining worker lost production time (LPT)—greater than alcohol consumption, family emergencies, age, or education. The study reported that LPT increased in relation to the amount smoked; LPT estimates for workers who reported smoking one pack of cigarettes per day or more was 75% higher than that observed for nonsmoking and ex-smoking workers. In addition, employees who smoked had approximately two times more lost production time per week than workers who never smoked, a cost equivalent of roughly \$27 billion in productivity losses for employers.<sup>8</sup>

- The U.S. Office of Technology Assessment estimated that in 1990 lost economic productivity from disability and premature mortality caused by smoking was \$47 billion.<sup>9</sup>
- The U.S. Centers for Disease Control and Prevention (CDC) puts a \$3,391 price tag on each employee who smokes: \$1,760 in lost productivity and \$1,623 in excess medical expenditures.<sup>10</sup> In addition, estimated costs associated with secondhand smoke's effects on nonsmokers can add up to \$490 per smoker per year.<sup>11,12</sup>
- Smokefree air will save Scotland £4.2 billion (\$7.9 billion) a year, according to a study conducted by Aberdeen University, assessing the costs and savings involved in the Scottish Executive's proposed bill that would make most enclosed public places in the country 100% smokefree. The report estimates that £1.9 billion (\$3.9 billion) of the savings would be in productivity gains, reduced sickness absences, savings on National Health Service treatment and reduced cleaning and decorating costs.<sup>13</sup>

## Maintenance

- The U.S. Environmental Protection Agency (EPA) estimates that smokefree restaurants can expect to save about \$190 per 1,000 square feet each year in lower cleaning and maintenance costs.<sup>14</sup> The EPA also estimates a savings of \$4 billion to \$8 billion per year in building operations and maintenance costs if comprehensive smokefree indoor air policies are adopted nationwide.<sup>15</sup>
- The Organization for Economic Cooperation and Development estimates that construction and maintenance costs are seven percent higher in buildings that allow smoking than in buildings that are smokefree.<sup>16</sup>
- A 1993 survey of businesses conducted by the Building Owners and Management Association (BOMA) International found that the elimination of smoking from a building reduced cleaning expenses by an average of 10%. Smoking was also cited as the number one cause of fires on a BOMA fire safety survey.<sup>17</sup>
- The National Fire Protection Association found that in 1998 smoking materials caused 8,700 fires in non-residential structures resulting in a direct property damage of \$60.5 million.<sup>18</sup>
- In a survey of cleaning and maintenance costs among 2,000 companies that adopted smokefree policies, 60 percent reported reduced expenditures.<sup>19</sup>
- After Unigard Insurance, near Seattle, Washington, went smokefree, its maintenance contractor voluntarily reduced its fee by \$500 per month because the cleaning staff no longer had to dump and clean ashtrays, dust desks, or clean carpets as frequently.<sup>20</sup>
- Using U.S. Bureau of Economic Analysis data, it was determined that employees who smoke cost businesses in Marion County, Indiana, \$260.1 million in increased health insurance premiums, lost productivity, and absenteeism, as well as additional recruitment and training costs resulting from premature retirement and deaths due to smoking.<sup>21</sup>
- At the Dollar Inn in Albuquerque, New Mexico, maintenance costs are 50 percent lower in nonsmoking rooms.<sup>22</sup>
- Merle Norman Cosmetics Company in Los Angeles voluntarily went smokefree and saved \$13,500 the first year in reduced housekeeping costs.<sup>23</sup>

## Insurance Rates

- The total property and contract loss due to fires caused by smoking materials was more than \$10.6 million in 1996. The National Fire Protection Association reports \$391 million in direct property damage for smoking related fires from 1993 to 1996. Landlords and restaurants with smokefree premises have negotiated lower fire and property insurance premiums.<sup>24</sup> Fire insurance is commonly reduced 25-30% in smokefree businesses.<sup>25</sup>
- The American Cancer Society reports that employees who smoke have an average insured payment for health care of \$1,145, while nonsmoking employees average \$762.<sup>26</sup>

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