




**Myths and Facts: Impact on Employment** 

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The Institute 2010: Shifting to a Higher Gear  
TTAC, Oct. 3 - 6, 2010

\*The findings and conclusions in this report are those of the author and do not necessarily represent the official position of the Centers for Disease Control and Prevention.\*

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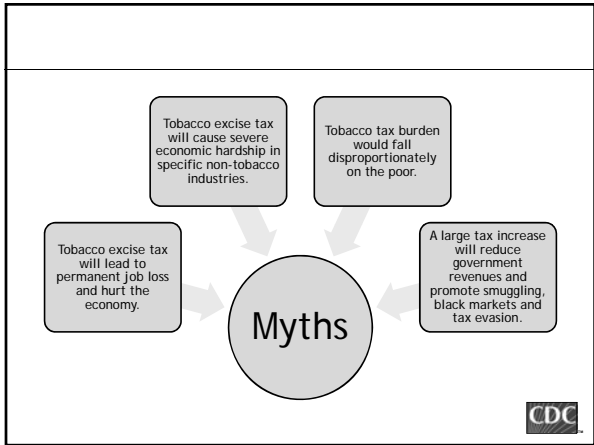
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**Myths**

- Myth #1  
Tobacco excise tax will lead to permanent job loss and hurt the economy.



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## Myths

### ▪ Myth #2

Tobacco excise tax will cause severe economic hardship in specific non-tobacco industries.



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**ABC NEWS**

### Tobacco Industry on Offensive Amid Menthol Review

Tobacco industry running full-court press ahead of federal examination of menthol cigarettes

By MICHAEL FELBERBAUM  
*The Associated Press*

RICHMOND, Va.

The tobacco industry is running a full-court press ahead of a federal scientific panel's meeting to discuss how to regulate menthol cigarettes, a still-growing part of the shrinking cigarette market.

It was reported that 4,000 tobacco industry and a letter to the Food and Drug Administration's committee examining the public health effects of the many menthol, warning that a ban could harm African American and black market cigarettes.

"There are good, hardworking men and women... They are an economic linchpin of the communities in which they live," Frank Hart, president of the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union wrote in a letter submitted last last month for the panel's second meeting Thursday.

The committee is to make its recommendations to the FDA's Center for Tobacco Products by March. The 12-member panel includes three nonwriting members representing the tobacco industry.

While most believe a ban is unlikely, several companies also are raising their concerns in their 100-plus page submissions to the panel, which will hear industry presentations on how menthol is used in cigarettes, health effects, marketing efforts, and impacts on specific groups of people.

In their submissions to the panel, the nation's top three cigarette makers, Philip Morris USA parent Altria Group Inc., Reynolds American Inc., and Lorillard Inc. all said scientific evidence does not show that menthol cigarettes create greater health risk than non-menthol cigarettes.

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**allAfrica.com**

### VANGUARD

#### Nigeria: Anti-Tobacco Bill - 400,000 Jobs On The Line

Emeka Aginam 9 March 2009

passed into law, the tobacco bill which is currently on the floor of the National Assembly will lead to at least 400,000 Nigerian being thrown into unemployment market.

This was the view expressed by the Chairman, Senate Committee on Industries, Senator Kiamondeen Adedibu while speaking with reporters recently in Ibeju, Oyo State at the 2008 Farmers' Productivity Day/Award Ceremony.

Describing the bill as a "misplaced priority" for the country, Adedibu who represents Oyo South in the Senate also vowed to mobilize his colleagues in the upper legislative chamber to ensure that the bill is defeated.

"The bill is actually more than regulation. It is more than that. The bill if it goes through and Insha Allah, it won't, will render the tobacco companies useless. It is going to increase smuggling and most especially, it is going to stop the necessary means of livelihood for over 400,000 people," the Senator stated.

He also hinted that the Senate should concern itself more with bills that will "help people, put money in their pockets, put food on their tables, boost education and not bills that will lead to unemployment."

Adedibu commended BATN for its CSR initiatives which he said has helped to create wealth in the rural areas of the state, and urged it not to relent. He congratulated the award winners, and assured the farmers of his commitment to fight for their cause at the national assembly.

Speaking in the same vein, the Oyo State Commissioner for Commerce and Cooperatives, Dr. Kola Gakgun, commended BATN for creating jobs for the rural population in the state, saying that this has helped in no small way in reducing the rural-urban drift among the population, with the attendant increase in crimes in urban cities. He urged other players in the private sector to emulate the BATN example by establishing job-creating industries in the rural areas.

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**Myths: Arguments and Assumptions**

- Tobacco excise tax will lead to decreased consumption of tobacco products
- Decreased consumption will lead to reduction in demand for tobacco leaves and manufactured tobacco
- Decreased demand for unmanufactured and manufactured tobacco will lead to severe employment loss and thus hurt the economy
- Expenditure on tobacco products will not be relocated in the economy



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**What Is the Real Impact?**

- Reduction in domestic cigarette consumption will have a positive or minor impact on jobs
  - Diminishing role of tobacco industry
  - Globalization
  - Gradual transition
  - Relocation of resources



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**Fact: Tobacco Industry in the U.S. Economy**

- 43,308 farm workers (both full and part-time) in 2007 (2% of total farm labor)
- 21,500 manufacturing workers in 2007 (0.14% of total manufacturing)

Source: Zhang, L. et. al., Employment Impact of Tobacco Control. In press.



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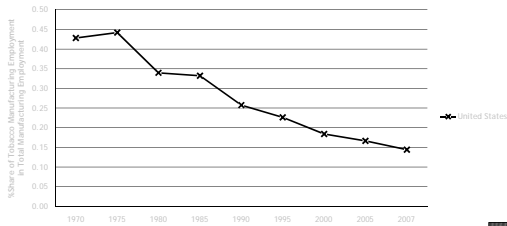
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### Fact: Tobacco Industry in the U.S. Economy

- Employment in both tobacco farming and manufacturing is declining



Source: Compiled from BLS data, <http://tobacco.usda.gov/>



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### Fact: Globalization

- Trends in the U.S. tobacco industry are already reducing demand for domestic labor
  - U.S. tobacco manufacturers are increasingly relying on cheaper imported tobacco leaves
  - Manufacturing of cigarettes is gradually being outsourced to developing countries where labor costs are lower
- Reduced cigarette consumption in the U.S. will have little impact on the global demand



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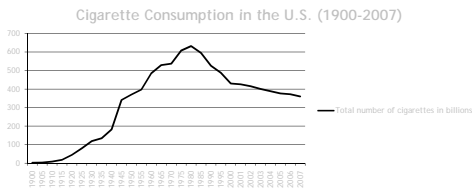
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### Fact: Gradual Transition

- Reduction in consumption in the U.S. is gradual
  - Cigarette consumption has been declining 1-2% a year in developed countries



Source: Tobacco Outlook Report, Economic Research Service, U.S. Dept. of Agriculture.



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**Fact: Gradual Transition**

- Transition to a tobacco free economy will be slow and tobacco workers will not be thrown out of jobs overnight

*"Fewer of the children of today's tobacco farming families would grow up to be tobacco farmers." - Shelling, T., 1986, Preventive Medicine*



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**Fact: Relocation of Resources**

- Money not spent on tobacco will be spent on other goods and services, generating comparable employment in other industries
  - Money released from tobacco will not disappear from the economy
  - Tobacco product expenditures -> entertainment, education, recreation etc.
- New jobs generated as a result of the shifts in expenditure will likely stay within the state and therefore produce net job gains



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**Fact: Relocation of Resources**

- Jobs shift from tobacco industry (less labor intensive) to other industries (more labor intensive)
  - Recreation, entertainment, education and communication in high income countries (Buck et.al., 1998)
  - Higher quality food, education, health and housing in low income countries (Ahsan and Wiyono, 2007)



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**Fact: Transition Cost**

- Tobacco farmers have already invested in tobacco production in terms of skills and equipment
- Lack necessary skills and financial resources to switch
- Assistance to tobacco farmers
  - Training
  - Crop diversification
  - Subsidies



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**Case Studies**



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**Case #1: Michigan**

- Warner, K. E. & Fulton, G. A. (1994). The economic implications of tobacco product sales in a nontobacco state. JAMA, 271, 771-776.
- Results:
  - Net job gains: 5,600 in 1992 and 1,500 by 2005;
  - 300 in 1992 and 880 by 2005 with consumption reduction doubled



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**Case #2: U.S.**

- Warner, K. E., Fulton, G. A., Nicolas, P., & Grimes, D. R. (1996). Employment implications of declining tobacco product sales for the regional economies of the United States. JAMA, 275, 1241-1246.
- Results:
  - Net job gains: 47 in 1993 and 133,000 by 2000
  - 78 in 1992 and 19,719 by 2000 with consumption reduction doubled
- There will be net job gains for the vast majority of states



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**Case #3: Other Countries**

- Countries that have net employment gains include:
  - Scotland: 5,600 in 1992 and 1,500 by 2005 (Mcnicoll & Boyle, 1992)
  - U.K.: 15,542 jobs or 115,688 full time equivalent jobs in 1990 (Buck, D., et. al., 1995)
  - South Africa: 50,236 jobs in 1995 (Van der Merwe, 1998)
  - Bangladesh: 1,098,919 jobs, in 1994 (Van der Merwe, 1998)
  - Egypt: 6,108,517 jobs, in 1997 (Nassar & Metwally, 2003)
  - Indonesia: 281,135 jobs with a 100% tax increase (Ahsan&Wiyono, 2007)
- A few countries experience net employment loss Canada (Irvine & Sims, 1997), Zimbabwe (Van der Merwe, 1998), and Bulgaria (Petkova et al., 2002)



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**Resources**

- Campaign for Tobacco Free Kids
  - <http://www.tobaccofreekids.org/research/factsheets/>
- CDC OSH website
  - <http://www.cdc.gov/tobacco/>



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