

Project title: Economics of Tobacco Taxation and Employment in Indonesia

The research: American Cancer Society (ACS), in collaboration with the World Bank and SurveyMeter, conducted a study on the economics of tobacco taxation and employment in Indonesia in 2016-17. The study evaluated the economic impact of tobacco tax reform on the employment of smallholder tobacco and clove farmers, and kretek rollers, in Indonesia, who are directly dependent on the tobacco sector for some or all of their livelihoods. This project was carried out with the technical and financial support of the World Bank, CRDF Global with funds from the US National Cancer Institute, and ACS.

The context: The results of the study suggest that the economic livelihoods of most smallholder tobacco and clove farmers in Indonesia are not prosperous, including in the case of tobacco farmers, compared to former tobacco farmers. For most clove-farming households, cloves comprise only a small percentage of economic activity. While not lucrative, employment in the kretek sector is remunerated comparably or slightly better than other common jobs at this skill level in these specific regions. The government, however, can readily address any distortions in this labour marketplace (such as from an increase in tobacco tax) by allocating funds to re-train and redeploy the most vulnerable individuals.

Message for cancer organizations:

The alleged negative effect of tobacco control on smallholder tobacco farmers and other workers in the tobacco sector is one of the most common arguments employed by the tobacco industry and its allies against efforts to stem tobacco use. The industry consistently claims that tobacco employment is lucrative, including farming under contractual arrangements. There is a small but growing body of rigorous research examining these economic livelihoods. This study makes a vital contribution to this effort and informs policymakers that **the benefits of tobacco sector employment to society are insignificant and can be regenerated in more productive and healthy sectors** with appropriate compensatory policy actions.

For more and related information:

“Policy note on the Economics of Tobacco Taxation and Employment in Indonesia” (2018)

<http://documents.worldbank.org/curated/en/219251526070564098/pdf/126158-REVISED-PUBLIC.pdf>

“The Economics of Tobacco Farming in Indonesia” (2017)

<http://documents.worldbank.org/curated/en/161981507529328872/The-economics-of-tobacco-farming-in-Indonesia>

“The Economics of Clove Farming in Indonesia” (2017)

<http://documents.worldbank.org/curated/en/166181507538499946/The-economics-of-clove-farming-in-Indonesia>

“The Economics of Kretek Rolling in Indonesia” (2017)

<http://documents.worldbank.org/curated/en/644791507704057981/The-economics-of-Kretek-rolling-in-Indonesia>

“The Economics of Tobacco Taxation and Employment in Indonesia” (2017)

<http://documents.worldbank.org/curated/en/919961507699751298/The-economics-of-tobacco-taxation-and-employment-in-Indonesia>