

Taxing Sugary Drinks: Will This Really Result in Job Losses?

Healthy Eating
Research

Bridging the Gap

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Introduction

Sugary drinks, such as sodas, fruit drinks, and sports drinks, also known as sugar-sweetened beverages (SSBs), add large amounts of calories to the diet and are linked with obesity. Increasing the price of SSBs by 20 percent is estimated to reduce consumption by 24 percent. Many state legislatures have tried to impose new taxes on sugary drinks, but the beverage industry has opposed such measures claiming that taxes on sugary drinks will result in regional job losses because of reduced consumption.



Findings from a New Study

A new study published in the American Journal of Public Health (AJPH) predicts that a new 20 percent SSB tax in two states, California and Illinois, would not have any significant impact on employment in those states. The beverage industry's claims of regional employment losses due to proposed SSB taxes are over-stated and such claims may mislead lawmakers and voters.

Background

- Current taxes on soda are extremely small and they cover diet sodas. This study looks at the impact of a sizable new excise tax only on sugar-sweetened beverages.
- The beverage industry's claims that jobs will be lost because higher prices on sugary drinks will reduce

consumption are over-stated. The industry's job loss estimates do not fully account for increased consumption of non-sugary beverages. For example, truck drivers who previously delivered regular soda would transport other beverages such as diet sodas, bottled water, 100 percent fruit juice, and milk, several of which are made by the same companies that make sugary drinks.

- Industry estimates of job losses ignore the increases in jobs created elsewhere in the economy as consumers reallocate their spending towards non-beverage goods and services.
- The beverage industry assumes that tax revenue dollars are taken out of the economy. But states spend those dollars on many different projects, putting those tax dollars back into the economy and creating public and private sector jobs. The beverage industry estimates fail to account for those jobs created as a result of the new tax revenue.

The research in this issue brief comes from a study supported by Healthy Eating Research and authored by researchers from Bridging the Gap. Both are programs of the Robert Wood Johnson Foundation.

Powell, Lisa M., Roy Wada, Joseph J. Persky, and Frank J. Chaloupka (2014). Employment Impact of Sugar-Sweetened Beverage Taxes. American Journal of Public Health.



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- For many years, tobacco companies made similar arguments opposing tobacco taxes claiming they would harm the economy by causing numerous job losses. Over time, tobacco-industry-sponsored studies were increasingly scrutinized and refuted by more rigorous, independent analyses concluding that industry-sponsored studies significantly overstated the economic impact of tobacco taxes. The independent studies of tobacco taxes also showed that there would be net job gains nationally as a result of reductions in tobacco use.
- The comprehensive economic model used in the AJPH study assumes that the 20 percent increase in taxes will be passed on to the consumer; average beverage prices will remain constant within and across states; prices of non-sugary drinks will not change due to higher taxes on sugary drinks; and all purchases of sugary drinks will be subject to the increased tax rate, including drinks purchased through federal food assistance programs by low-income individuals.

Detailed Results

- Using a comprehensive model that takes into account the full economic impact of taxes, a 20 percent increase in the prices of sugary drinks or SSBs will result in a net employment increase of 4,509 jobs in Illinois and 6,252 jobs in California. Those numbers mean a 0.06 percent increase in jobs in Illinois and a 0.03 percent increase for California. The study finding of an overall close to zero-net effect on employment as a result of higher taxes on sugary drinks using a comprehensive economic model includes: the effect of consumers switching to non-SSBs such as diet beverages and bottled water, products which are also made by the beverage industry, and switching to 100 percent fruit juices or milk; the effects of consumers reallocating spending to non-beverage goods and services; and the effects of economic activity generated by higher tax revenues.

About Healthy Eating Research

Healthy Eating Research (HER) is a national program of the Robert Wood Johnson Foundation. Technical assistance and direction are provided by the University of Minnesota School of Public Health under the direction of Mary Story, PhD, RD, program director, and Karen M. Kaphingst, MPH, deputy director. HER supports research to identify, analyze, and evaluate environmental and policy strategies that can promote healthy eating among children and prevent childhood obesity. Special emphasis is given to research projects that benefit children and adolescents ages 3 to 18 and their families, especially in lower-income and racial and ethnic populations at highest risk for obesity. For more information, visit www.healthyeatingresearch.org or follow HER on Twitter at [@HERResearch](https://twitter.com/HERResearch).

About Bridging the Gap

Bridging the Gap (BTG) is a nationally recognized research program of the Robert Wood Johnson Foundation dedicated to improving the understanding of how policies and environmental factors influence diet, physical activity and obesity among youth, as well as youth tobacco use. BTG is a joint project of the Institute for Health Research and Policy at the University of Illinois at Chicago and the Institute for Social Research at the University of Michigan. For more information, visit www.bridgingthegapresearch.org or follow BTG on Twitter at [@BTGResearch](https://twitter.com/BTGResearch).

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