

PALM OIL CREATES JOB OPPORTUNITIES IN IMPORTER COUNTRIES

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RESUME

The palm oil industry is inclusive industry, because “economic cake” generates itself can enjoy for all party, both in local, national, and global. Through international trade (export-import) and downstream industry are vehicle for sharing the “economic cake” from palm oil producer/exporter to palm oil consumer/importer countries. One of economic cakes is job creation.

In line with increasing in volume of palm oil import and downstream development will also increasing job creation in importer countries reached 1.9 million people in 2010 and is estimated to continue to increase to 2.7 million people by 2020.

However, the distribution of job creation among palm oil importing countries is also different. This is due to the volume of imports, downstream development (deepening or expansion) and downstream technology. Among the palm oil importer countries in the world, the largest job creation occurred in India and China reached 74 percent of total job creation in all importer palm oil countries. Because the large volume of palm oil imports and the abundance of labor which has led to the development of palm oil-based downstream industries which are classified as labor-intensive industry. So that, the impact of job creation is greater than some countries that are the downstream industries are more capital-intensive (such as the European Union).

The job creation from palm oil-based economic activities including trade activities and downstream in palm oil importer countries has succeeded in proving that the palm oil industry is a globally inclusive industry. Because its benefits in job creation can be felt not only by producer countries but also by importer/consumer countries of palm oil.

PRELIMINARY

Inclusive green growth is the pathway to sustainable development (World Bank, 2012). This means inclusive industrial growth including palm oil industry is a pathway to sustainable development. Inclusiveness can be cross-sector/aspect (social, economic, ecological) at the local, national, and international levels.

Trade whether local, national, or international, is a means of expanding the inclusiveness of an industry/economic activity. Trade will create and distribute benefits (gain of trade) from economic activity. On a broader scale, international trade (export-import) of palm oil is a "vehicle" for sharing the "economic cake" from palm oil producer/exporter to palm oil consumer/importer countries. The term "economic cake" is in the form of job opportunities, business opportunities, and increased income to contribute to improving the welfare of people in palm oil consumer countries.

This article will discuss how much job opportunities are created from export-import activities and downstream industry that use palm oil as raw material in importer countries. One of the sources used to compile this article is the previous research (digest), namely the Europe Economics study (2014, 2016)

JOB CREATION

The palm oil-based economic activities involve almost all countries in the world. In the palm oil production involve around 28 countries, while export-import and downstream activities involve more than 100 countries. Meanwhile, palm oil-based end product consumption activities both

directly and indirectly involve almost all countries.

Every day in 24 hours, all people in the world use products containing palm oil. Even if we go to supermarkets, almost all the products on display shelves must contain palm oil in the composition of the product. Because palm oil is a multipurpose/versatile raw material that can be applied to a wide variety of products, both food, toiletries/consumer goods, animal feed, and also energy (biodiesel).

This shows that palm oil has an important role in trading activities and downstream development both in palm oil producing countries such as Indonesia, palm oil importer countries and also palm oil-based products consumer countries. One of the further implications of these activities are job creation.

The Europe Economics study (2016) reveals that globally, it is estimated that around 2.9 million jobs were associated with 52 million tonnes of palm oil. In other words, the total job creation as an indirect and induced impact from import and downstream in importer countries are around 54 jobs per thousand tons of palm oil.

In line with increasing in volume of palm oil import and downstream development will also increasing job creation (Figure 1). Globally, import volume in 2010 which reached 15.23 million tonnes (Trademap, 2020), were able to job creation for 1.9 million jobs/people. Job creation also continued to increase to 2.3 million jobs/people in 2015, as a result of the increasing import volume about 16.25 million tonnes. In line with the increasing in the import volume estimated to reach 50.55 million tons, the job creation in 2020 will reach 2.7 million people/jobs.

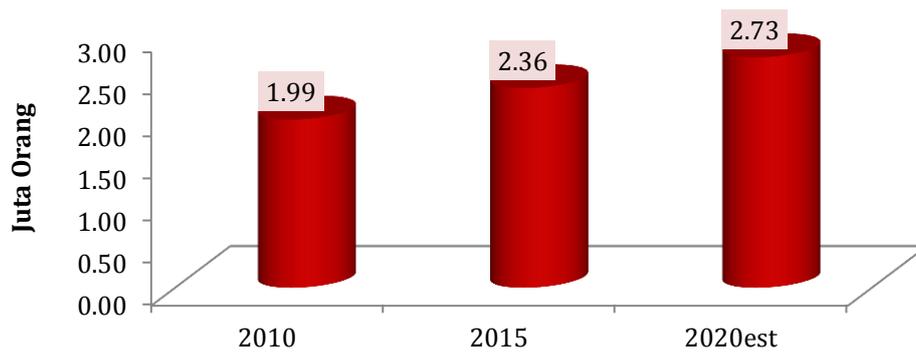


Figure 1. Global Job Creation

DISTRIBUTION OF JOB CREATION

The job creation from palm oil-based economic activities including trade activities and downstream is the result of a combination of the volume of imports and downstream development, either expansion or deepening. In addition, a factor that also influences the distribution of job creation is the technology used in the palm oil-based downstream industry, whether it is labor intensive or capital intensive.

The largest importer countries of palm oil in the world such as China, India and European Union import palm oil with volume relatively similar around 8 million tons in 2013-2014, which resulted in job creation. However, the magnitude of job creation as an implication of imports and downstream development in these countries has different, they are 11 jobs in the European Union, 115 jobs in China, and 129 jobs in India for a thousand tons of imported palm oil.

The utilization of palm oil in the European Union for food industry, cosmetics and personal care industry, biodiesel industry, and animal feed industry, where these industries are classified as capital intensive/automation or more labor-saving (labor saved). So that, the impact of job creation due to imports of palm oil and downstreaming in the European Union is

less than China and India. This is because the price of capital in the European Union is cheaper.

In contrast to India and China which are also the most populous countries in the world, it's means labor is more abundant and cheaper. So that job creation as the impact of palm oil imports and downstream in both countries is greater than the European Union.

In China, the use of palm oil is mainly for the noodle industry, while in India most palm oil is used for cooking oil industry. The noodle industry is more capital-intensive than the cooking oil industry which is more labor-intensive, so that the job creation due to the development of the palm oil-based downstream industry in India is greater than China.

With the characteristics of downstream technology and differences in the import volume and type of downstream industries in various palm oil importers, the distribution of job creation to palm oil importers in the world also different (Figure 2). China and India enjoy greater job creation, i.e India at 42 percent and China at 29 percent. Meanwhile, the impact of job creation in EU and United States as a impact of import and downstream are relatively low, which are the 3 percent for EU and 2 percent for United States.

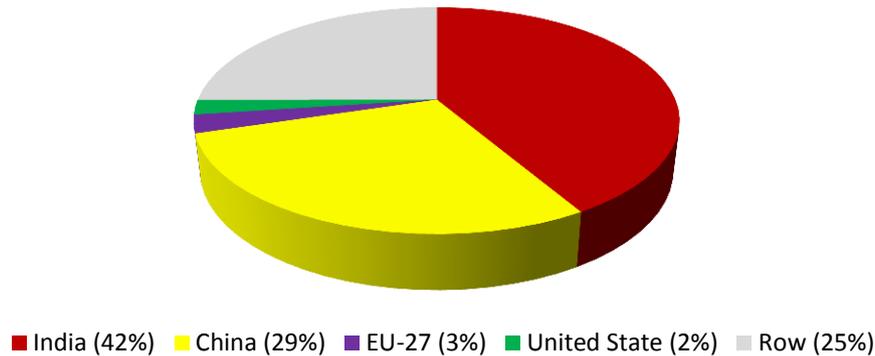


Figure 2. The Distribution of Job Creation

Thus, it is quite clear that palm oil producers in the world, such as Indonesia, able to sharing the “economic cake” in the form of job creation to palm oil importer countries. The biggest job creation occurred in palm oil importer countries that have large volume import with downstream industries that utilize the abundance of labor (labor-intensive), such as India and China. This also shows that the palm oil industry is globally inclusive industry, because its benefits in job creation can be felt not only by producer countries but also by importer/consumer countries of palm oil.

CONCLUSION

The palm oil industry is inclusive industry, because its benefits in job creation can be felt in all levels, both local, national, and global. The job creation due to palm oil import and downstream development in importer countries reached 1.9 million people in 2010 and is estimated to continue to increase to 2.7 million people by 2020.

However, the distribution of job creation among palm oil importing countries is also different. This is due to the volume of imports, downstream development (deepening or expansion) and downstream technology. Among the palm oil importer countries in the world, the largest job creation occurred in India and China reached 74 percent of total job creation in all importer palm oil countries. Because the large volume of palm oil imports and the abundance of labor which has led to the development of palm oil-based downstream

industries which are classified as labor-intensive industry. So that, the impact of job creation is greater than some countries that are the downstream industries are more capital-intensive (such as the European Union).

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