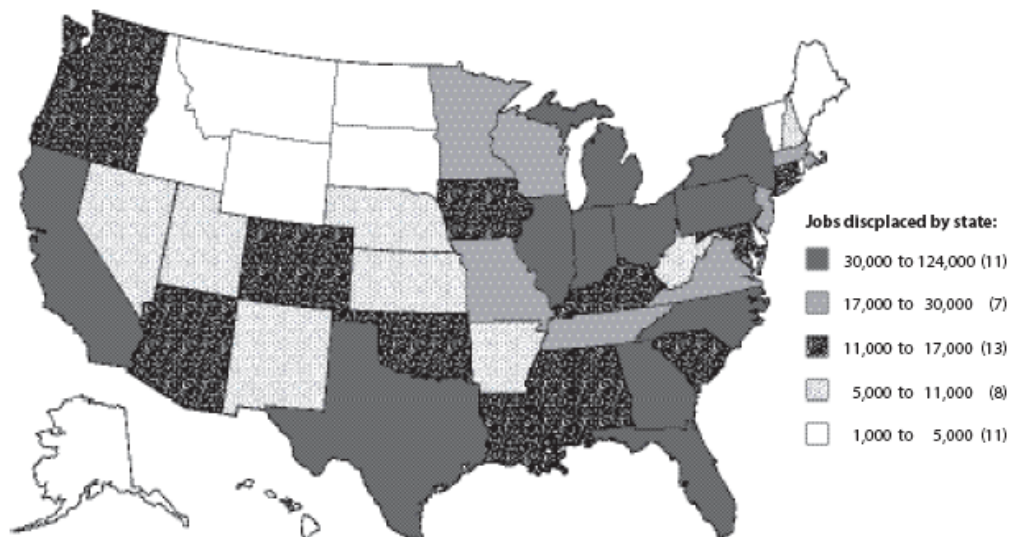


NAFTA & the US

NAFTA did not fulfill its promise to U.S. workers to move them from low-productivity, low-wage import-competing industries into high-productivity export jobs with better wages. In the United States, NAFTA has contributed to the reduction of employment in high-wage traded-goods industries, growing wage inequality, and a steady decline in demand for workers without a college education.

- Jobs** ❖ The 1 million job opportunities lost nationwide are distributed among all 50 states and the District of Columbia, with the biggest losers, in numeric terms: California (-123,995), Texas (-72,257), Michigan (-63,148), New York (-51,582), Ohio (-49,886), Illinois (-47,701), Pennsylvania (-44,173), Florida (-39,987), Indiana (-35,157), North Carolina (-34,150), and Georgia (-30,464).
- ❖ The 10 hardest-hit states, as a share of total state employment, are: Michigan (-63,148, or -1.4%), Indiana (-35,157, -1.2%), Mississippi (-11,630, -1.0%), Tennessee (-25,588, -0.9%), Ohio (-49,886, -0.9%), Rhode Island (-4,482, -0.9%), Wisconsin (-25,403, -0.9%), Arkansas (-10,321, -0.9%), North Carolina (-34,150, -0.9%), and New Hampshire (-5,502, -0.9%).
- ❖ The majority of the net jobs displaced were in the manufacturing sector. Growing trade deficits with Canada displaced 270,248 manufacturing jobs while growing deficits with Mexico displaced 388,682 manufacturing jobs, for a total of 658,930 manufacturing jobs displaced (64.9% of the total).

NAFTA costs jobs in every state



SOURCE: EPI Analysis of Bureau of Labor Statistics and Census Bureau data.

Trade balance

- ❖ U.S. exports to Mexico and Canada actually increased \$104 billion between 1993 and 2004, after NAFTA took effect, (in constant 2004 dollars). However, imports increased \$211.3 billion, and as a result, the trade deficit *increased* by \$107.3 billion, rather than improving.
- ❖ The United States had a small but relatively stable trade deficit with Canada and Mexico (combined) in the 1980s and early 1990s. After NAFTA took effect in 1994, the United States developed large and rapidly growing deficits with these trade partners.
- ❖ Average wages in U.S. jobs that compete with U.S. imports from Mexico pay 1% to 5% more than jobs in industries that export to Mexico, on average. Therefore, even if U.S. exports to and imports from Mexico had grown equally, the United States would have experienced downward pressure on wages.

Foreign Direct Investment (FDI)

- ❖ The confluence of falling real exchange rates and falling wages in Canada and Mexico, combined with rapidly growing inward FDI, set the conditions for rapid growth of exports to the United States. NAFTA accelerated these trends, bringing about a sharp shift in trading patterns from relatively stable bilateral trade balances in the 1980s to steadily growing deficits in the post-NAFTA era.

Wages & Inequality

- ❖ Growing trade deficits with Mexico and Canada have pushed more than 1 million workers out of higher-wage jobs and into lower-wage positions in non-trade related industries. Thus, the displacement of 1 million jobs from traded to non-traded goods industries reduced wage payments to U.S. workers by \$7.6 billion in 2004 alone.
- ❖ For manufacturing workers displaced in import-competing industries, average wages of those who were reemployed were 11% to 13% lower than their pre-displacement wages. More than one-third of those displaced workers were not reemployed and apparently dropped out of the labor force altogether.
- ❖ Growing NAFTA trade deficits displaced more higher-paid than lower-paid workers. Among those making less than \$7.23/hour, job losses were 4 percentage points (24%) less than the share of such workers in the national labor force. The largest losses, on a proportional basis, were sustained by workers in the top wage group, (those earning more than \$30.83 per hour). Their share of the net job displacement was 7.8 %, 0.6 percentage points (9.4%) more than the national average (7.2%).

Source

- ❖ *Revisiting NAFTA: Still not working for North America's workers*, by Robert E. Scott, Carlos Salas, and Bruce Campbell. September 28, 2006

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