

## **EPI Research Summary:**

### **Trade Policy's impact on jobs and wages in Ohio and nationally**

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- After NAFTA took effect in 1994, growing U.S. trade deficits with Mexico and Canada through 2004 eliminated a net total of more than 1 million jobs in the United States, and most of those jobs were in the manufacturing sector (65%, 659,000 jobs). Source: [NAFTA Revisited](#) by Robert Scott.
- The United States' trade deficit with Mexico in autos and auto parts increased from \$2 billion in 1993 to \$31 billion in 2007 (in constant 2007 dollars). The growth in the deficit in this industry alone has eliminated almost 366,000 jobs in the U.S. in this period. Source: [Ohio Voters and Candidates Take a Dim View of NAFTA](#) by Ross Eisenbrey.
- Manufacturing and other trade-related jobs offer better pay and benefits than jobs in non-traded industries. The jobs displaced by NAFTA would have paid, on average more than \$800 per week, while the average job in the rest of the economy paid only \$683 per week. Thus, the displacement of 1 million jobs from traded to non-traded goods industries reduced wage payment to U.S. workers by \$7.6 billion in 2004 alone. Source: NAFTA Revisited.
- In 2006, the impact of trade flows increased the inequality of earnings by roughly 7%, with the resulting loss to a representative household (two earners making the median wage and working the average amount of (household) hours each year) reaching more than \$2,000. This amount rivals the entire annual federal income tax bill paid by this household. Source: [Globalization and American Wages](#) by Josh Bivens.
- In Ohio, increased trade deficits after NAFTA was enacted displaced about 50,000 jobs between 1993 and 2004, the fifth highest job loss total among the U.S. states, in terms of the number of jobs lost, and as a share of state employment. Ohio is one of only two states that have suffered a net loss in *total* jobs since March, 1998 (Michigan is the other), and one of only four states that have failed to experience a recovery in employment since the 2001 recession (Massachusetts, Illinois and Michigan are the others). Source: NAFTA Revisited and [The Importance of Manufacturing](#) by Rob Scott
- Between 1993 and 2002, the U.S. Department of Labor certified that 75 plants in Ohio, employing more than 12,000 workers were closed due to shifts in production to Mexico and/or Canada. Source: [Public Citizen's NAFTA-TAA \(U.S. Dept. of Labor certified plant closings\) database.](#)

- Professor Susan Helper of Case Western Reserve University in Cleveland reports that last week another manufacturer announced a plant closing in the state of Ohio, the 82<sup>nd</sup> in the last twelve months. This time it was Johnson Rubber, a 113-year old maker of floor mats and rubber boots for steering columns. Source: Helper op-ed, forthcoming. WARN database.
- Job loss due to increased trade deficits after NAFTA's enactment reduced wage payments to Ohio workers by at least \$370 million in 2004 alone (Ohio's share of the \$7.6 billion in total U.S. losses in wage payments). Source: NAFTA Revisited.
- Between 2001 and 2006, Ohio ranked 48<sup>th</sup> and 34<sup>th</sup>, respectively, out of the 50 states in total and per capita GDP growth. Source: [Bureau of Economic Analysis](#), Gross Domestic Product by State.
- NAFTA has harmed workers in Mexico and Canada as well, as workers have been forced into a "race-to-the-bottom" in wages. Real hourly wages for manufacturing workers in Mexico fell 12% between 1993 and 2006, and a million jobs were lost in Mexican corn production in the 1990s. Source: [Bureau of Labor Statistics](#) and International Monetary Fund, *International Financial Statistics*, and NAFTA Revisited.
- NAFTA became the prototype for hundreds of corporate-backed trade deals negotiated by the Clinton and Bush administrations, including the formation of the WTO in 1994 and China's WTO accession in 2001. Job losses from China have now overwhelmed those from NAFTA—the \$230 billion U.S. trade deficit with China in 2006 displaced 2.7 million U.S. jobs. Source: [Costly Trade with China](#) by Robert Scott
- The growth in U.S. trade deficits since 1998 is responsible for a large share of the loss of 3.7 million U.S. manufacturing jobs, plus hundreds of thousands of supporting, trade-related jobs in other, high-wage industries such as software, legal, engineering and accounting services. Job losses in manufacturing have not occurred because of any acceleration in productivity growth in recent years. Source: [Manufacturing Job Loss: Productivity is not the Culprit](#) by Robert Scott. Growing trade deficits explained at least a third (roughly a million) of the loss of manufacturing jobs through 2004. Source: [Trade Deficits and Job-Loss in Manufacturing: Correlation and Causality](#) by Josh Bivens.
- Reversing the damage done by globalization and NAFTA-type trade deals to workers in the United States and other countries demands a comprehensive strategy that is of sufficient scale and scope to respond to the global challenge, including:
  - Trade strategies that put working people first.

- Increasing investment in people (e.g. Danish model of active labor market policies, with public expenditures of 2-5% of GDP, equivalent to \$300-\$700 billion in the U.S. economy).
- Increasing investment in people, infrastructure, and new technologies to enhance competitiveness, including clean energy technologies.
- Restoring the lost bargaining position of workers (e.g. card check and the Employee Free Choice Act, and recognition of ILO core labor standards).
- Building the foundation for a global social contract to ensure health care, pensions and universal unemployment insurance for all workers.

Source: [Globalization that Works for Working Americans](#) by Jeff Faux.

- We should begin by reforming NAFTA. Incorporation of enforceable labor and environmental standards is an essential starting point, but much more is required to ensure rising living standards for workers in all three countries. We can begin by examining NAFTA's impacts on Mexico, where imports of highly subsidized U.S. grains undercut Mexico's rural economy and drove 2 million family farmers off the land. With lack of enforceable labor standards, falling wages and no jobs in the cities, they swelled the migrant stream north, so that after NAFTA, illegal immigration doubled. The Mexican government predicts that out-migration to the U.S. will continue at 500,000 per year for the next 15 years. The U.S. and Canada should back a development fund to generate job growth in Mexico which will support an increase in education and other social spending, and investments in schools, the environment and other critically needed, job-generating infrastructure projects. Source: [Overhauling NAFTA](#) by Jeff Faux.
- If the U.S. seeks to re-negotiate NAFTA, Mexico and Canada will also have a list of reforms that they would like to achieve. *Immigration Reform* will be high on the list for both the U.S. and Mexico, and should be included in a new NAFTA. Immigration reform should find ways to authorize the flows and make immigration an integral component of economic and social policies. Effective immigration policy must contain a comprehensive mix of measures, including: a) stronger border controls and internal enforcement processes; b) a secure work authorization system with strong penalties against employer and immigrant violators; c) a means to adjust the status of people who have lived and worked satisfactorily in the United States for some years, accompanied by a credible signal that there are unlikely to be future status adjustments; d) an immigration standard that gives greater weight to the country's labor requirements. Source: [Getting Immigration Reform Right](#) by Ray Marshall.