



Trade and Jobs

Testimony to a Cleveland Field Hearing with Marcy Kaptur

Amy Hanauer

Representative Kaptur and others, thank you for the opportunity to testify today alongside these strong community leaders. I'm Amy Hanauer and I run Policy Matters Ohio, a policy research institute dedicated to creating a more vibrant, equitable, sustainable and inclusive Ohio. Find us online at www.policymattersohio.org.

Trade and jobs in Ohio

Key principles to improve outcomes for workers

NAFTA and other trade agreements have eliminated jobs in Ohio and the United States. Manufacturing remains an essential part of Ohio's economy, despite its downturn. Smart policy can strengthen Ohio manufacturing while making our economy greener and stronger. Some key recommendations include:

1. Invest in infrastructure, particularly clean energy.
 - a. Invest in solar panels and wind turbines.
 - b. Structure these projects carefully, prioritizing good jobs and diverse workers
2. Support American manufacturing through proven programs
 - a. Support Manufacturing Extension Programs
 - b. Buy American when spending public dollars
 - c. Support smart worker training
3. Improve trade agreements
 - a. Increase worker protections
 - b. Improve environmental standards
 - c. Eliminate special courts

As we have long documented at Policy Matters, the North American Free Trade Agreement and other trade agreements have not accomplished what they were supposed to in Ohio. Our current trade rules favor multi-national corporations and their investors over workers and citizens. As a result, these policies have reduced the quantity and quality of domestic jobs, thereby exacerbating wealth inequality. Many multinational corporations that once employed people here have instead located in places with lower wages, fewer environmental regulations, and weaker labor regulations. NAFTA rules made that shift easier.

One reason these deals have been so destructive is that they transfer power away from citizens and to international investors. They bar nations, states, and cities from enacting labor and

environmental policies that protect the public. They block local governments from using policy to boost demand for domestic products, such as local sourcing.

NAFTA was promoted as being broadly helpful to Americans and our trading partners. But the economist Susan Helper recently testified that NAFTA slowed wage growth in U.S. industries and regions. This hurt not just manufacturing workers, but also service employees, as displaced manufacturing workers sought jobs in restaurants and retail and as laid-off workers had less to spend in the economy. In Mexico as well, wages stayed mostly flat even though productivity increased. Mexican manufacturing wages remain well under 20% of US manufacturing wages.

The Economic Policy Institute found that NAFTA cost the U.S. 683,000 jobs from 1994 to 2010. Manufacturing, as a sector, lost the most, 60.8 percent. Geographically, Midwest states like Ohio took the hardest hit. NAFTA also displaced Mexican small farmers and business owners, and did not raise wages relative the US. Despite that, the treaty became a model for the World Trade Organization, China trade normalization, and other deals. As a result of all of these, economist Jeff Faux estimates an additional net loss of 2.7 million U.S. jobs and economist Josh Bivens found that the typical American with just high school degree loses \$1,800 a year.

Manufacturing has declined, but remains an essential part of Ohio's economy. One in eight Ohio employees works in manufacturing. We had 687,000 manufacturing workers in 2015: only California and Texas have more. Average wages of \$1,119 a week were 24.9 percent higher than in other sectors. Ohio manufacturers contributed \$108 billion to the economy in 2015, 17.8 percent of the total for the state. So that sector is responsible for one in every six dollars and one in every eight jobs in Ohio. The typical worker with a high school diploma and no college earns \$2.99 more per hour in manufacturing.

While the sector has generally lost employment over the past several decades and in the most recent recession, some signs point to a partial recovery. Good policy, including trade policy, can make this more likely. There are clear things we can do to improve policy so that workers and the environment on all sides of the border are better protected.

At Policy Matters, we recommend three large policy priorities to address these issues:

1. **Invest in infrastructure, especially energy:** America's infrastructure is crumbling around us and we are completely underinvested in infrastructure that would reduce energy use and address other environmental problems. We should get to work now, upgrading, maintaining and building infrastructure that would strengthen our communities and make our planet more sustainable, and we should make sure that American products are used throughout these projects. To name a few priorities:
 - a. We should **install solar panels** on every public building in the United States, buying from American companies and having unionized tradespeople do the installation. Right here in Cleveland there are entrepreneurs selling solar panels and they argue that even here in snowy Cleveland, many residential solar installations now pay for themselves in less than a decade and commercial systems will pay for themselves in less than six years. Representative Kaptur is a longtime champion of this approach, and Toledo, with its extensive glass-making history, has a strong supply chain that could play a key role in this work.

- b. We should be installing **wind turbines** wherever appropriate, using Ohio's substantial supply chain to produce component parts for these turbines. Here in Cleveland, we continue to want to see the Lake Erie Economic Development Company project build the first fresh water wind farm in the country on Lake Erie. We got some great news just this week that this project cleared another hurdle and is moving forward – but movement has been much slower than needed because public policy at the federal and state level just does not incentivize this kind of job-creating energy-generating investment
- c. These projects should be **structured carefully**. There are sound principles at the website millionsofjobs.org that I encourage you to look at, but some of the elements we support include supporting direct public investment, not tax giveaways or corporate subsidies and making sure that these projects are union-built, have inclusive workforces that represent the diversity of the communities in which they're being done, and have worker and environmental protections. As mentioned, all of these projects should pay decent wages, should source from US made products, and should prioritize the needs of disadvantaged communities -- both urban and rural. Finally, these projects should be paid for through fair, progressive taxes so that the wealthiest Americans and giant corporations who reap the greatest economic benefit from public goods pay their fair share.

2. **Support American manufacturing** through proven programs:

- a. **Manufacturing Extension Partnerships (MEPs)** help manufacturers work together to solve problems and find solutions to assist their sector. They assist with research and development, commercialization, joint marketing and branding, worker training, identifying new technology, shared investments like makerspaces, and reshoring. The federal government should deepen investments in MEPs. Instead President Trump's budget proposal threatens to entirely eliminate this modest but successful program. Similarly, the manufacturing innovation institutes that have been so successful, including one in Youngstown, face 70% cuts in the Trump budget.
- b. **Buy American:** We should have Buy America provisions for all public spending at all levels of government. Senators Rob Portman and Sherrod Brown have both voiced support for these important provisions and I would urge you to join in that support. The Trump Administration should apply Buy America to all federally-funded infrastructure projects. President Trump's intent in this area is not entirely clear and we should encourage him to make good on promises he has made to support American products. While Buy America rules apply to some federal infrastructure programs, many taxpayer-funded projects still lack rules requiring the use of American-made products. Brown's proposed legislation would ensure Buy America rules apply to all federally-assisted projects.
- c. **Invest in worker training:** The Workforce Investment and Opportunity Act, WIOA, trains and educates workers, focusing on career pathways and apprenticeships. By incorporating a strong understanding of the labor market, WIOA is transforming the workforce system for those who face significant barriers to employment. The act pushes the public sector to better serve low-skilled, low-income adults so they can achieve not just self-sufficiency, but real economic mobility. Ohio trainers have been working hard to take advantage of these new approaches. For Ohio workers

who face barriers to employment and a tough job market, it's essential that we all deliver. Yet, this program too is on the chopping block under the Trump administration. The Trump budget calls for cuts of approximately \$1 billion from the WIOA program. The cuts represent about a 40 percent reduction from current funding levels and would have devastating impacts on states and local communities seeking to address the skill needs of businesses and jobseekers. Instead of cutting WIOA, we should be enhancing it.

3. **Improve trade agreements.** This encompasses three primary provisions.
 - a. **Increase worker protections.** NAFTA has reduced bargaining power for workers in both the US and Mexico. Workers and their representatives have little ability to object to sweatshop conditions or labor law violations. At most they can call for consultations that have no enforcement mechanisms. Investors have much more power to object and much stronger mechanisms to do so. Worker representatives from all countries in an agreement should be brought in to propose standards. I encourage this committee to consult the AFL-CIO (2017) and the Roosevelt Institute (Tucker, 2017) about how best to remedy this in renegotiation.
 - b. **Improve environmental protection.** Environmental protections in NAFTA are relegated to side agreements with no enforcement provisions. This is why we've seen more use of polluting fossil fuels, less protection of greenspace and forests, and more deeply problematic mining since NAFTA. Other testimony today provides more detail on how best to address environmental concerns, but minimally, those who breathe the air, drink the water, and suffer from global warming should have as much power as multinational corporations to raise their issues. (350.org et. al, 2017)
 - c. **Eliminate special courts for investors.** NAFTA established special courts where firms can challenge government policies that affect their investments. These "investor-state dispute settlement" (ISDS) mechanisms undermine democracy and national sovereignty. This system should be eliminated so that citizens again have the ability to advocate for the laws they think will best protect their communities

In sum, there is much that federal policy can do to create fair trade, to promote American manufacturing, and to improve job quality and availability. We decide the kind of economy we want to have and we can choose one that does more for our families, communities, and planet. We appreciate your interest in exploring and furthering those policies.