Policy Matters Ohio

EXECUTIVE SUMMARY
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Work & Wages

TRADE ADJUSTMENT ASSISTANCE:
MORE NEEDED TO HELP OHIO COMMUNITIES

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Promoters of the North American Free Trade Agreement (NAFTA) promised that free trade would lead to shared economic expansion, a "rising tide to lift all boats." President Clinton said NAFTA would bring the U.S. wage growth and 200,000 more jobs. Instead, NAFTA cost the U.S. an estimated 683,000 jobs in its first 16 years alone. About two-thirds of the direct job loss came from the relatively high-paying manufacturing sector. This made the Midwest, including Ohio, particularly vulnerable to the negative consequences of corporate globalization.

Job displacement is an expected and planned-for consequence of trade pacts. The Trade Adjustment Assistance Act (TAA) is the primary way the United States attempts to mitigate the harm to families and communities from trade-related job loss. The program offers a comprehensive set of supports to trade-dislocated workers and it provides a pathway into new careers for many workers.

More than 124,000 Ohio workers were covered by TAA certifications between 2001 and 2015. EPI estimates that the state lost almost as many jobs (121,500) during that period to the U.S. trade deficit with China alone. TAA is a lifesaver for the thousands or workers and their families who use the assistance to rebuild after a job loss. TAA is also an inadequate remedy to the inequities and downward wage pressure NAFTA-style trade has spread across the economy.

The annual number of certified workers peaked in 2009 at 22,214. The number of covered workers reached an annual low in 2014. Fewer than 2,000 workers were certified that year. The decline stopped in 2015. Last year, Ohio saw 3,790 workers certified. Despite rhetoric promising a resurgence of jobs, the TAA data shows that 2017 has brought little relief. So far, 31 petitions have been filed this year and 21 have been certified. As of November, there were 3,615 workers covered, just 175 less than last year's total.

Since the 2014 recession, a growing share of workers are certified because their jobs left the country, rather than because of import competition. Import competition was responsible for a little more than half (55 percent) of jobs lost in 2009 and for 76 percent of TAA covered jobs lost in 2014. Last year, 84 percent, more than 3,173 covered workers, lost their jobs to outsourcing.

The largest TAA certification in 2016 covered an estimated 528 workers at Siemens Energy in Mount Vernon and Norwood. These workers made turbines, compressors and electric motors. All but one of the 10 largest certifications covered production workers. The lone service certification in the top 10 covered call center workers at Magy Staffing in Holland, Ohio.

RECOMMENDATIONS

TAA has the potential to improve the lives of Ohio workers who find themselves out of work due to trade. Thousands of workers who have used the program have found new, fulfilling career paths. The program is effective, but it could do much more for trade-impacted workers. Key improvements for TAA include: greater state outreach to potentially eligible workers, broader federal rules, and additional funding for program administration.

Ohio could do more to protect workers. House Bill 245, idling in the House Committee on Economic Development, Labor and Commerce Committee since June, would require call center employers relocating to a foreign country provide 120-day notice to the Ohio Department of Job and Family Services. The bill would then require ODJFS to produce a report on corporations leaving the U.S. every six months and bars them from receiving state grants, loans, tax benefits and other incentives. It also requires state agencies to keep their call center work in Ohio.

Even a robust TAA program cannot fully mitigate the negative impacts of trade on Ohio communities. NAFTA-style free-trade agreements have created economic winners and losers, but the winners are not the brown and black workers living in other countries, demonized by President Donald Trump. Workers, not just the stereotypical white, male, blue-collar workers, but workers broadly, including those in the global south, share their fate as free-trade losers.

Canada declared the labor laws in both Mexico and the U.S. to be so poor that they provide an unfair and unjust competitive advantage. Specifically, Canada called for an end to so-called right to work laws. These laws weaken unions. The Economic Policy Institute has demonstrated that weaker unions lower wages across the labor market. Their study found that worker wages were 3.1 percent, or $1,558, lower in right-to-work states. A robust TAA program can offset some of the harm felt by workers, but the limited reach of the program only underscores the need for a trade policy rebalancing that puts all workers—domestic and international—in a position of power.