A Report from

Policy Matters Ohio

International Trade and Job Loss in Ohio 2007

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This report is dedicated to Ohio's workers and their families who have been impacted by international trade, in the hope that better understanding of our challenges will lead to improved economic policy.

Policy Matters Ohio, the publisher of this study, is a nonprofit, nonpartisan statewide research institute dedicated to researching an economy that works for all in Ohio. Policy Matters seeks to broaden the debate about economic policy in Ohio, by providing quantitative and qualitative analysis of important issues facing working people in the state. Policy Matters has done research on policies affecting work, wages, economic development, education, taxes, energy and other issues. We are grateful to the Cleveland, George Gund, Joyce, and St. Ann Foundations, as well as Greater Cleveland Community Shares and the Economic Policy Institute, for funding.

Executive Summary

Job losses in manufacturing have fueled the decline in Ohio's total employment. The dramatic exodus of manufacturing jobs has devastated laid-off workers, their families, and many Ohio communities. The growing trade deficit is a major factor in manufacturing's problems. This report is the third in a series of Policy Matters Ohio studies on international trade. The original report, ***International Trade and Job Loss in Ohio,*** and the update released in October 2004, used data from the federal Trade Adjustment Assistance (TAA) Program through July 2004. This report uses TAA data from August 2004 through December 2006.

The TAA program provides benefits to manufacturing workers who lose their jobs due to rising imports or shifts in U.S. production to overseas locations. In response to a petition requesting certification, the U.S. Department of Labor (USDOL) investigates to determine whether workers were laid off for a trade-related reason. If the petition is certified, workers are eligible to apply for trade adjustment assistance. Administrative program data track the number of workers at each workplace that receives a certification.

The TAA program does not cover all workers who lose their jobs due to international trade. Restrictive rules limit the program's scope to particular kinds of import-related job losses and production shifts to overseas locations. Federal law excludes workers at service sector companies, such as call centers, from TAA coverage. Restrictive rules and lack of awareness also limit coverage of workers at supplier companies that lose business because a major customer is impacted by trade. Lack of diligence in the USDOL's petition investigations further depresses participation. The U.S. Court of International Trade recently issued a scathing review of this investigatory process, asserting that "the Labor Department's failure to properly investigate petitions is routinely depriving thousands of U.S. workers of the TAA benefits to which they are legally entitled."

Overall, the TAA program certified 71,242 Ohio workers between January 1995 and December 2006, providing us with a minimum estimate of the number of workers who we know lost jobs due to trade.[1] The 13,432 workers certified in 2006 surpassed the previous peak year of 2002. The number of workers certified annually rose steadily through the 1990s and peaked at over 13,000 in 2002. Certification levels then declined from 2002 to 2005, but rose dramatically in 2006.

During the 28-month period[2] covered by this update:

- The TAA program certified 150 petitions covering 18,977 Ohio workers. Each petition covers one worksite.

- Over half of the job losses occurred because Ohio employers shifted production to foreign facilities or decided to import foreign products to replace work

[1] This figure includes the former NAFTA-TAA program.
[2] This update uses TAA program data from August 13, 2004 through December 31, 2006.

performed in Ohio. Traditional import competition, in which companies lose market share to foreign-made products, accounted for 37 percent of the job losses.

• Ohio companies were most likely to shift production to Canada or Mexico. Shifts in production to these two countries combined led to 4,964 Ohio workers losing their jobs.

• The TAA program certified workers in 53 Ohio counties. Twenty-nine counties had two or more workplaces certified, with Cuyahoga County having the most (12). Montgomery and Trumbull counties each had over 3,000 workers certified. Franklin and Hamilton counties each had more than 1,000 workers certified.

Workers displaced from manufacturing jobs have a difficult time finding new positions, especially at a comparable level of pay. National data indicate that only 65 percent of the workers who lost a job between 2003 and 2005 were reemployed as of January 2006. Over one-third of those that were reemployed had to accept wages that were more than 20 percent below their previous pay levels.

Rising trade deficits depress industrial production, lowering the economy's growth rate. The real output of Ohio's manufacturing sector in 2005 barely surpassed its pre-recession peak achieved in 1998, despite a national economic expansion.

If the U.S. trade deficit in goods (including petroleum) had remained stable since 2001, the U.S. economy would have grown 14.1 percent in real terms between 2001 and 2005, instead of its actual 11.7 percent growth. The difference in growth rates translated into a missing $236.7 billion in inflation-adjusted U.S. GDP, roughly equivalent to the size of the economy of Washington state, the 14th largest state economy.

As measured in inflation-adjusted 2000 dollars, the U.S. trade deficit in non-petroleum goods rose from $446 billion in 2003 to $560 billion in 2005, an amount equal to five percent of U.S. GDP. Imports in 2005 were $1.4 trillion and exports were $827 billion. Through November 2006, the non-petroleum goods trade deficit is three percent higher than the 2005 level.

International trade is responsible for a significant number of lost jobs in Ohio. Massive trade deficits weaken the link between economic growth and employment growth in domestic manufacturing. Public policy must do more to prevent job losses due to international trade and to help workers who become unemployed due to international trade. At the national level, we must reexamine the costs and benefits of our current trade policies, which fail to protect basic labor and environmental standards and have been unsuccessful at addressing widespread unfair trading practices.

Introduction

Ohio is undergoing an employment crisis that is now in its sixth year. As of November 2006, the total number of nonagricultural wage and salary positions in the state was 183,100 jobs below its pre-recession peak (June 2000) on a seasonally-adjusted basis, a decline of 3.2 percent.[3] Preliminary estimates for November 2006 indicate that the state lost an additional 12,000 jobs since May.[4]

The continuing slide in manufacturing employment is at the root of the crisis. Between 1998 and 2003, Ohio lost 200,000 manufacturing jobs. In 2004, it appeared that the level of manufacturing employment in Ohio might stabilize at a level around 825,000. But the decline continued, albeit more slowly. The state now has approximately 800,000 jobs in manufacturing.

The erosion of the state's manufacturing base has devastating effects on laid-off workers, their families and communities, and our state's economic future. In order to shed light on the causes of the decline of the state's manufacturing sector, Policy Matters Ohio released a report in 2004 entitled ***International Trade and Job Loss in Ohio***. The central finding of that report was that trade-related job loss was a significant factor in the severe reduction of manufacturing employment in Ohio that occurred between 1999 and 2003. Two years later, the inability of the manufacturing sector to regain some of its lost ground even in a national recovery (albeit a weak one) significantly restricts overall employment growth in Ohio and other Midwestern states.

Some economists have pointed to gains in productivity, coupled with slow growth for certain manufactured products (e.g., new cars) as the leading causes for the failure of manufacturing employment to rebound. In this standard view, manufacturing is healthy because fewer workers are producing more goods. A close look at Ohio's manufacturing production levels, shown in Figure 1, reveals a more complex picture. Manufacturing output actually declined from 1998 to 1999, in the midst of a robust national expansion. Ohio's manufacturing sector did not regain its 1998 production level until 2004, and then failed to increase from 2004 to 2005 despite national economic growth.

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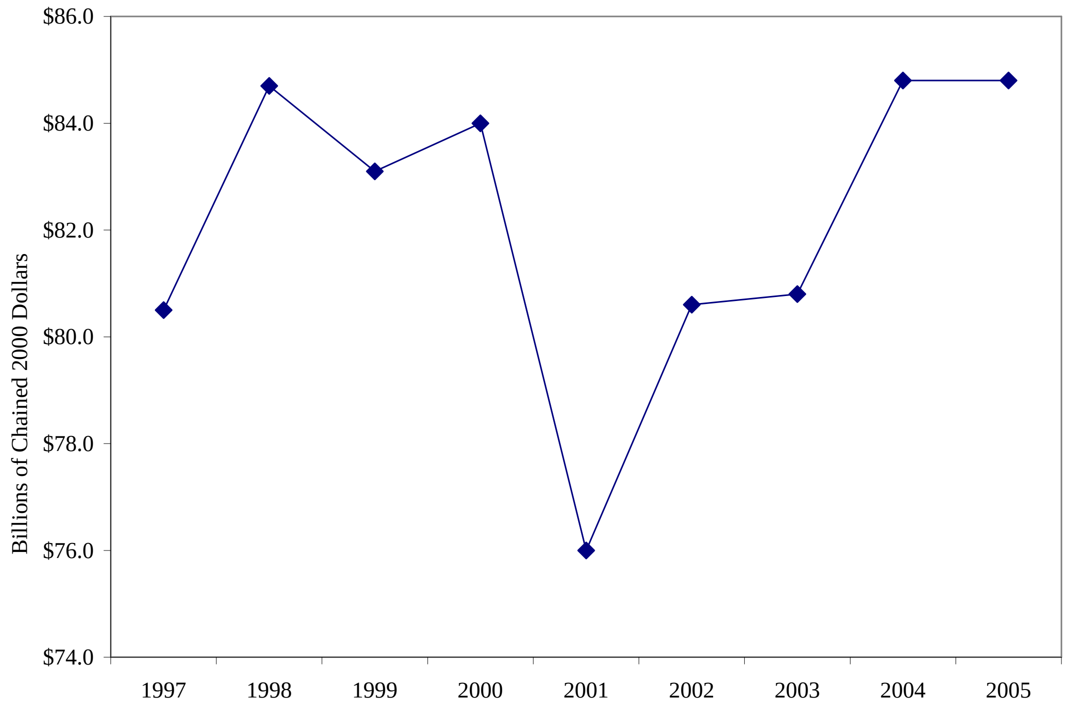
[3] The pre-recession peak was 5,635,800 in June 2000. Policy Matters Ohio analysis of Current Employment Statistics (CES) survey (U.S. Department of Labor, Bureau of Employment Statistics).
[4] Policy Matters Ohio *Job Watch* for December 2006, including preliminary figures for November 2006, is available at http://www.policymattersohio.org/jobwatch/JobWatchPress2006_12.pdf

Figure 1.
Value-added by Ohio's Manufacturing Sector, 1997-2005

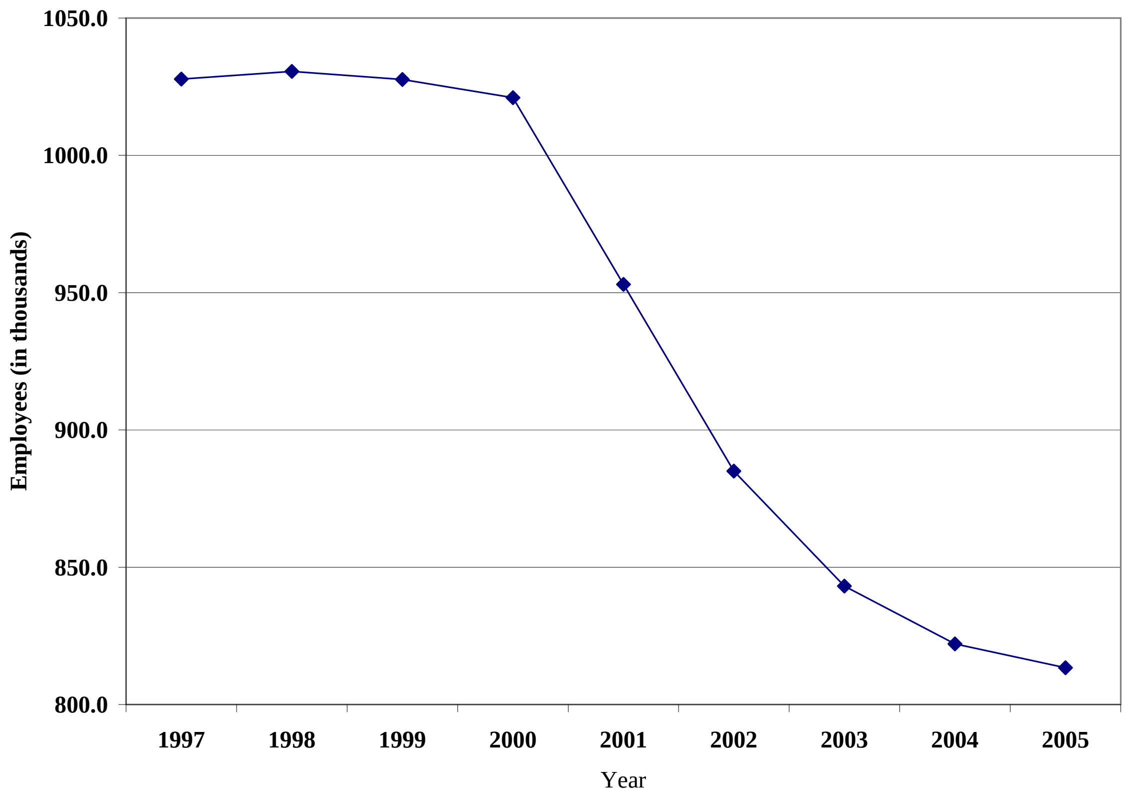


Source: U.S. Bureau of Economic Analysis; Policy Matters Ohio[5]

As discussed below, the trade deficit expanded substantially in 1998 and 1999, which helps explain why manufacturing output peaked in 1998. This also explains why employment in Ohio's manufacturing sector actually peaked in 1998, three years before the official start of the national recession in March 2001 (see Figure 2). In the current situation, as production levels stagnate, productivity improvements reduce the need for labor and make it less likely that workers laid off due to trade will be reemployed in manufacturing positions where they can use their skills. In this situation, retraining offered by the TAA program is a critical policy tool to redirect workers to new career paths.

[5] Bureau of Economic Analysis, U.S. Department of Commerce. Gross Domestic Product by State data series.

Figure 2.
Average Annual Employment in Ohio's Manufacturing Sector



Source: U.S. Bureau of Labor Statistics (CES); Policy Matters Ohio.[6]

The fundamental issue is why manufacturing output is stagnant even as the economy expands. Put simply, the expanding trade deficit suppresses manufacturing output. To date, exports have not risen fast enough to compensate for a severe loss of domestic market share by U.S. producers. Between 1997 and 2005, the share of U.S.-made goods in domestic consumption fell from 92 percent to 78 percent.[7] Economists at the Economic Policy Institute in Washington estimate that rising trade deficits are responsible for between one-fifth and one-third of U.S. manufacturing job loss since 2000.[8]

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[6] Current Employment Statistics (employer survey).
[7] Bivens, Josh, and Scott, Robert E. "China Manipulates Its Currency – A Response Is Needed." Washington, D.C.: Economic Policy Institute (September 2006). Available at http://www.epi.org/content.cfm/pm116
[8] *Ibid*. See also Bivens, Josh. *Trade Deficits and Manufacturing Job Loss: Correlation and Causality*. Washington, D.C.: Economic Policy Institute (March 2006), page 5. Available at http://www.epi.org/content.cfm/bp171

Coverage of the TAA Program

The federal Trade Adjustment Assistance program provides benefits to manufacturing workers who lose their jobs due to rising imports or shifts in U.S. production to overseas locations. In response to a petition requesting certification, the U.S. Department of Labor (USDOL) investigates to determine whether workers were laid off for a trade-related reason.

A TAA certification issued for a group of workers establishes that those workers are eligible to apply for trade assistance benefits. Each individual worker must then apply for benefits with a state employment security agency. These duties are handled by the Ohio Department of Job and Family Services (ODJFS), in conjunction with local one-stop employment centers. Trade adjustment assistance benefits may include: An additional unemployment benefit known as a "trade readjustment allowance" for workers in training; reemployment services; job search allowances for workers who must search for a job outside of their immediate commuting area; relocation assistance for workers who must move to another area to find a job; and a health coverage tax credit. Instead of applying for trade readjustment allowance benefits, a worker over age 50 may apply for a wage supplement if her reemployment wage is lower than the wage of her previous job.[9]

Prior to the Trade Adjustment Assistance Reform Act of 2002, the U.S. Department of Labor (USDOL) administered two separate trade adjustment programs: The regular TAA program and a North American Free Trade Agreement (NAFTA-TAA) program.[10] The regular TAA program certified only those workers who were laid off or threatened with being laid off because their employer faced an increase in imports of like products or products that directly competed with the firm's products.[11] Workers affected by shifts in production to foreign countries were not eligible for certification, except for shifts to Canada or Mexico, which were covered under the NAFTA-TAA program. Former law did not extend coverage to workers at supplier companies that lost business because a factory they sold products to was affected by trade.

The Trade Adjustment Assistance Act of 2002 merged the NAFTA-TAA program into the regular TAA program, broadened eligibility requirements, and added additional benefits for trade-affected workers. These changes became effective in November, 2002. The Act established four alternate criteria that a petitioner may meet to establish eligibility and receive certification from the USDOL:

(1) increased imports of articles that are "like or directly competitive" with the articles produced by the firm "contributed importantly" to a decline in sales or production and

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[9] Source: "Frequently Asked Questions about the Trade Adjustment Assistance Act," Ohio Department of Job and Family Services, available at http://jfs.ohio.ouc.TradeAdjustAssist_FAQ.stm. The program for older workers is known as Alternative Trade Readjustment Assistance (ATAA).

[10] The Trade Adjustment Assistance Reform Act of 2002, Public Law 107-210, amended the Trade Act of 1974 (U.S. Code Title 19, §§ 2271-2331).

[11] The standard for certification, which remains in place under current law, is that imports must have "contributed importantly" to the lay-offs.

to a layoff or threat of a layoff; or
(2) there has been a shift in production to a country with a free or preferential trade agreement with the United States; or
(3) there has been a shift in production outside the United States and there has been or is likely to be an increase in imports of "like or directly competitive" articles; or
(4) loss of business as a supplier or downstream producer for a TAA-certified firm contributed importantly to worker layoffs.[12]

Despite the reforms, TAA coverage of job losses due to trade is not comprehensive. As with any government program, lack of awareness may prevent some groups of workers from applying for assistance. Also, the extension of coverage to suppliers and downstream producers is limited by the requirement that these companies must work "directly" for a certified firm.[13] The reality of industrial production is that most large plants use a supply chain that is many layers deep. A plant closing or downsizing creates a loss of demand that cascades down the supply chain, but TAA certifications must stop at first-tier suppliers.

Workers that produce a service, rather than a good, are not covered unless they are part of the same company that received a certification, and their work directly supported the production process. As more information technology jobs have been outsourced in recent years, the USDOL has been faced with an increasing number of petitions and court cases that have forced it to reconsider the boundaries between a service and an article. This tension resulted in the Department changing its view on whether software is an article.

Previously, the Department refused to certify workers who wrote software code unless the software was embodied in a physical medium (e.g., a compact disk), widely distributed, and dutiable under the U.S. Harmonized Tariff Schedule.[14] In April, 2006, the USDOL changed its interpretation of an article to include software that was not pre-packaged.[15] One of the three court cases that led to the revision involved workers at an Electronic Data System Corporation (EDS) facility in Fairborn, Ohio (near Dayton) who were laid off because their work shifted to Mexico. The workers applied for TAA coverage late in 2002. After an administrative reconsideration and two additional court-supervised investigations, the Department concluded that the workers qualified for TAA because one of their main duties was to develop new software, even if it existed in intangible form.

Although this interpretation will be helpful for new petitions that will be filed in the future, after more than three years it is likely that many of the former EDS workers have moved on to other positions and will not be helped by the decision. Of course, the revised policy will not help other workers whose petitions were wrongly denied in the

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[12] *2003 Trade Policy Agenda and 2002 Annual Report of the President of the United States on the Trade Agreements program* (Office of the U.S. Trade Representative), p. 248, describing changes to 19 U.S.C. § 2272.
[13] *See* 19 U.S.C. sec. 2272(c)(3) and (4).
[14] See the USDOL's Notice of Revised Determination on Remand, BMC Software, Inc.. 69 Federal Register 76745. December 22, 2004.
[15] See 71 Federal Register 18355, April 11, 2006.

past, or those who were deterred altogether from filing a petition because of the USDOL's former policy.

The USDOL's expansion of coverage of software developers is significant, but workers continue to face significant obstacles to certification. One major stumbling block is the USDOL's interpretation of the requirement that imports must be "like or directly competitive" with the articles being produced. This requirement also applies to shifts in production to countries that do not have a free trade agreement with the U.S. (see certification criterion 3 above). For example, the USDOL's strict interpretation of this requirement led to a denial of certification for the GE Consumer & Lighting Plant in Willoughby in June 2006.[16] The plant made ceramic tubes used in ceramic metal halide (CMH) high intensity discharge lamps. The investigation found that the firm shifted the production of these components abroad and then imported them as parts of finished CMH lamps. The overseas plant was not located in a country that had a free trade agreement with the United States. The USDOL denied certification on the grounds that:

> …the final products being shipped back into this country – finished high-intensity discharge lamps incorporating those components – are not like or directly competitive with ceramic tubes used in ceramic metal halide (CMH) high-intensity discharge lamps.

The differential treatment of production shifts to foreign countries also works to the disadvantage of some workers (compare criteria 2 and 3 above). For example, in 2005 Siemens Energy & Automation laid off workers at two Ohio locations, Urbana and Bellefontaine.[17] The USDOL investigator determined that production had been shifted abroad but not to a country with which the United States has a free trade agreement. If the production shift had been to a country with a free trade agreement, the workers could have been certified. The facilities could not qualify under the import competition criterion because their products were made for export. The USDOL denied the petition.

The TAA petition process hinges on the USDOL's thorough investigation. Unfortunately, this does not always happen. In an August 2006 decision (*Former Employees of BMC Software v. U.S. Secretary of Labor)*, the U.S. Court of International Trade delivered a scathing review of the USDOL's handling of TAA petition investigations in general, and concluded that the TAA system is "fundamentally broken."[18] This rebuke resulted from a series of cases in which the court found USDOL investigations to be cursory and inadequate to establish relevant facts. All too often, the court found that the agency accepted employers' statements but seldom consulted the petitioning workers, even when facts were in dispute. "In short," wrote the court, "…it exalts form over substance to characterize as an 'investigation' the Labor Department's

[16] See the USDOL petition determination in TAA case number 59292, available at http://www.doleta.gov/tradeact/taa/taadecisions/taadecision.cfm?59292
[17] See the USDOL petition determination in TAA case number 58150, available at http://www.doleta.gov/tradeact/taa/taadecisions/taadecision.cfm?58150
[18] *Former Employees of BMC Software, Inc., v. United States Secretary of Labor*, United States Court of International Trade, Slip Opinion 06-132. August 31, 2006, p. 79.

superficial review of the Workers' petition at the agency level."[19] The court's decision went on to state that

> …the agency's persistent failure to verify the accuracy of the information on which it relies – as well as its pattern of turning a blind eye to obvious inconsistencies and discrepancies in the record before it – is beginning to verge on contempt for administrative and judicial process, and does a grave disservice to the hardworking men and women of this country.[20]

As a consequence of the USDOL's poor investigative procedure, most TAA denials that are appealed to the Court of International Trade are overturned. The problem, noted the court, is that workers generally do not appeal their cases when a petition is denied. Most TAA petitions are filed without the benefit of legal counsel, and workers will not undertake the daunting task of dealing with the judicial system.[21] The judge summarized the situation in this manner:

> Extrapolating workers' roughly 90% "rate of success" before the court to the hundreds of TAA petitions that are denied but not appealed every year suggests that the Labor Department's failure to properly investigate petitions is routinely depriving thousands of U.S. workers of the TAA benefits to which they are legally entitled. The Labor Department should be haunted by that fact.[22]

Recent TAA investigations involving Airfoil Technologies International (Mentor) bear out the assertion that sometimes workers must be extremely persistent in order to obtain trade act certification. The Airfoil Technologies plant remanufactures and repairs parts for jet engines. The plant is scheduled to be closed in 2007 and the work moved to Singapore. The United Steelworkers of America (USW), which represents workers at the plant, filed for TAA certification early in 2006. The petition was denied in March, 2006, on the grounds that the workers performed a service, and did not produce an "article" under the meaning of the Trade Act.[23] The decision notice described the work they performed as "functions related to the repair of jet engine components."

The USW applied for certification a second time, and was denied in August 2006 on the same grounds. This time, the decision notice described work at the facility as "the modification of said engines to the exact specifications as provided by the manufacturers."[24]

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[19] *Ibid*, p. 29.
[20] *Ibid*, pp. 50-51.
[21] *Ibid*, p. 76.
[22] *Ibid*, p. 78.
[23] TAA Decision 58944. TAA decisions are available online at http://www.doleta.gov/tradeact/determinations.cfm
[24] TAA Decision 59820.

The USW then asked for reconsideration. Finally, on October 10, 2006, the USDOL got the correct information and certified the workers. The determination notice gave a terse explanation:

> During the reconsideration investigation, the subject company provided new information that the subject workers do not service jet engine components only; rather, the subject workers repair and remanufactured (sic) fan blades. The new information also revealed that a meaningful portion of the fan blades are produced for sale rather than repair.[25]

Although the USDOL obtained the correct information before the case had to be appealed to court, the episode reveals how difficult it can be for workers to navigate the system if an initial investigation is inadequate. Workers at Airfoil had several advantages in dealing with the USDOL: many months' advance notice of the plant closing, and a persistent union with experience in handling TAA cases. Often, workers only receive 60 days advance notice of a layoff or plant closure under the Worker Adjustment and Retraining Notification (WARN) Act. Small companies with less than 50 employees are exempt from WARN coverage altogether. After a plant closes, unemployed workers are preoccupied with meeting their day-to-day needs and find it difficult to deal with a complicated federal program.

Job Losses Identified by TAA Program Data

The TAA program certified 71,242 Ohio workers between January 1995 and December 2006, providing a minimum estimate of the number of workers who lost jobs due to trade (Table 1). The number of workers certified annually rose steadily through the 1990s and peaked at over 13,000 in 2002. Certification levels then declined from 2002 to 2005, but rose dramatically in 2006, again surpassing 13,000. Restructuring at Delphi Corporation, a major auto supplier, was partly responsible for the surge in certifications last year. Delphi is using bankruptcy proceedings to sell or close most of its U.S. operations, while continuing to expand its foreign production.[26] The TAA program certified over 5,500 Delphi workers at nine Ohio locations. Most of these workers were forced into early retirement or accepted a buyout (severance package) rather than being laid off when their plants close. In Ohio, workers who accept an employer-sponsored separation package are eligible for TAA benefits if they can show that the reason for the separation is lack of work.[27]

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[25] TAA Decision 59820. Notice of Revised Determination on Reconsideration.

[26] Welch, David. "Go Bankrupt, Then Go Overseas." *Business Week*. April 24, 2006, pp. 52, 55.

[27] See Ohio Department of Job and Family Services, Trade Letter No. 02-06. "Application of Adversely Affected Worker Definition in Determining Eligiblity for Trade Adjustment Assistance (TAA) in Situations Involving "Voluntary Quits." September 6, 2006.

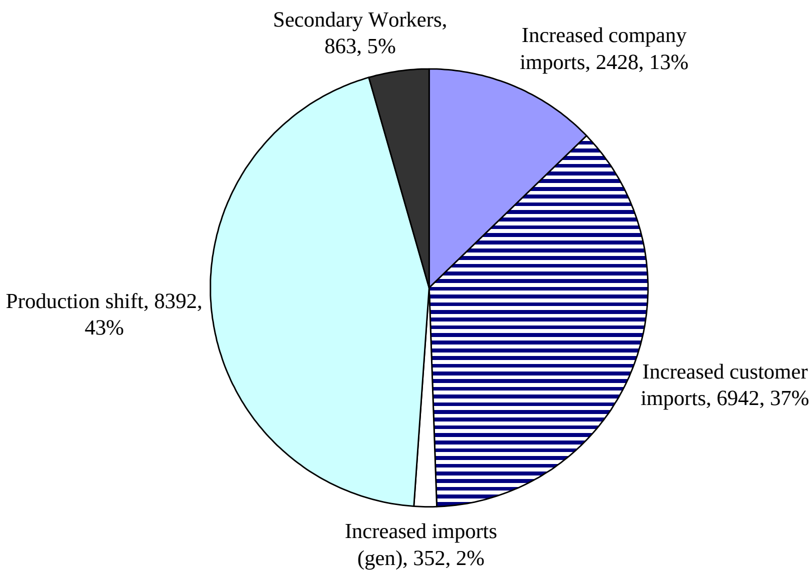
Table 1.
Number of Ohio Workers Certified by the TAA Program, 1995-2006

Year	Number of Workers
1995	2,330
1996	2,832
1997	3,298
1998	2,462
1999	4,564
2000	4,661
2001	6,509
2002	13,093
2003	7,470
2004	6,624
2005	3,967
2006	13,432
Total	71,242

Source: U.S. Department of Labor; Policy Matters Ohio
*Includes certifications under the former NAFTA-TAA program.

Figure 3 shows the official reasons listed for the TAA certification of 18,977 Ohio workers since August 2004. The information reflects Ohio companies' increasing ability to shift production to foreign facilities that they own. Over four in ten Ohio workers received certifications for this reason. Another 13 percent of the workers were displaced because their employers decided to import products rather than make them in Ohio. Traditional import competition, in which a company loses its customer base to imported goods, accounted for 37 percent of certifications. Another two percent of workers were certified through increased imports but more precise information was not available. In keeping with national trends, there is a slow uptake in the number of secondary workers at supplier companies. Only five percent of workers received this type of certification. This is indicative of a lack of awareness about the program and the requirement that only first-tier suppliers can receive certification.

Figure 3.
Reasons for TAA Certification of Ohio workers, Aug. 2004 – Dec. 2006



Source: U.S. Department of Labor; Policy Matters Ohio.

Table 2 shows the foreign locations to which Ohio companies have shifted production. This information was not available for certain recent certifications.[28] Production shifts to NAFTA countries, Canada and Mexico, were by far the most frequent. This may be a reflection of the greater familiarity that U.S. businesses have with the business climate in those countries. Mexico alone accounted for 33 workplaces and 3,270 workers that received a TAA certification. Four certifications covering 625 workers were issued for production shifts to China.

[28] The USDOL did not make available petition determinations from certain recent certifications.

Table 2.
Ohio TAA Certifications due to Shifts in Production to Foreign Countries, Aug. 2004 – Dec. 2006*

Country	Petitions	Workers
Canada	9	1,488
Canada & Mexico	2	206
China	4	625
Costa Rica	1	86
Germany	1	40
Japan	1	70
Malaysia	2	72
Mexico	33	3,270
Taiwan	2	164
Thailand	2	81
Singapore	1	13
Not identified	10	2,277
Total	68	8,392

Source: U.S. Department of Labor; Policy Matters Ohio
Aug. 13, 2004 to Dec. 31, 2006; Information not available for some recent certifications.

Geographic distribution of TAA Certifications

Ohio is a highly urbanized state, and Ohio's manufacturing facilities are concentrated in or near large cities. Not surprisingly, the highest levels of TAA certifications are found in Ohio's urban counties, but the impact of international trade is felt throughout Ohio. Since 1995, 81 of Ohio's 88 counties have had at least one TAA-certified workplace (see Appendix). Seventeen Ohio counties have had over 1,000 layoffs due to international trade since 1995. Cuyahoga and Trumbull counties each have had over 6,000 trade-related layoffs.

Trade-related layoffs continued to be widespread in the last several years. Since August 2004, 53 Ohio counties had at least one worksite certified by the TAA program. Fifteen of these counties experienced 300 or more trade-related layoffs. Table 3 below provides a list of the twenty Ohio counties with the highest number of layoffs.

Table 3.
Ohio Counties with the most TAA certified workers, August 2004-December 2006

Rank	County	Workers	Petitions
1	Montgomery	3707	11
2	Trumbull	3066	9
3	Hamilton	1323	10
4	Franklin	1192	4
5	Lorain	911	6
6	Stark	821	10
7	Cuyahoga	650	12
8	Allen	543	4
9	Wyandot	530	2
10	Monroe	498	1
11	Miami	453	4
12	Ashtabula	394	3
13	Richland	310	2
14	Warren	308	1
15	Muskingum	306	3
16	Wood	273	5
17	Sandusky	255	2
18	Auglaize	250	1
19	Scioto	240	1
20	Wayne	232	3

Source: U.S. Department of Labor; Policy Matters Ohio.[29]

Montgomery County, which includes Dayton, had 3,707 workers certified since August 2004, the highest number in the state. The Dayton area has a large concentration of automobile-related plants (5 from Delphi alone) that have been impacted by the restructuring of the Big Three and their suppliers. In all, eleven establishments received TAA certifications in Montgomery County, two of which accounted for the majority of the layoffs. The General Motors Moraine Truck Assembly plant lost its third shift due to rising imports (and rising gas prices that affected SUV sales), resulting in the certification of 1,151 workers. Delphi Corporation's Dayton plant, which makes automotive brake parts, received a certification for 1,648 workers due to an overseas production shift. A Delphi plant in Kettering that made dampers had 319 workers become TAA-certified due to increased company imports. The USDOL denied a petition from a Delphi facility in Moraine that makes air conditioning compressors. Increased customer purchases of imported products led Hewitt Soap Works to lay off 238 workers.

[29] One petition, involving two workers, could not be located in a county.

Trumbull County had 3,066 workers certified under nine petitions. All but 92 of the affected workers were from six Delphi plants. These six facilities were certified because of increased imports of auto parts by General Motors.

Hamilton County (which includes Cincinnati) had 1,323 workers certified under ten petitions since August 2004. The largest layoff involved 435 people who worked at a Nutone facility that made bath fans. The company shifted production of these products to Canada. The 3M Precision Optics facility was one of the few to obtain certification as a supplier. 3M laid off 316 workers who manufactured lens systems for projection televisions. Sun Chemicals, a maker of organic pigments, laid off 180 workers due to rising imports.

Franklin County, which includes Columbus, had nearly 1,200 workers certified under four petitions. Two largest certifications occurred because of production shifts to Mexico. The largest layoff involved 883 workers at a Delphi plant in Columbus. Another 260 workers at Zohar Waterworks were certified due to a production shift to Mexico.

Lorain County had 911 workers certified under six petitions since August 2004. Invacare Corporation, a maker of wheelchairs, shifted production to China, leading to the certification of 487 workers. Production shifts to Canada and Mexico led to layoffs of 106 workers at Emerson Network Power, a maker of power equipment. Sunrise Medical HHG, another medical equipment producer, laid off 105 workers who made wheelchairs, due to rising imports.

The USDOL certified ten petitions in Stark County involving 821 workers. The Hoover Company shifted product of vacuum cleaner components to Mexico, costing 261 jobs. World Kitchen increased imports of metal bakeware products, leading to the loss of 197 jobs.

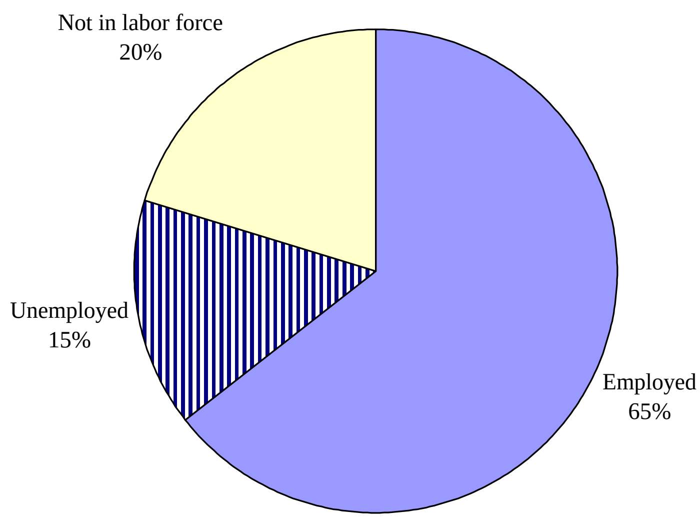
Cuyahoga County's twelve certified petitions led the state, leading to the loss of 650 jobs. Nicole Corporation had the largest layoff, involving 176 individuals, as the result of the company's decision to purchase lamp shades from overseas.

Eight other counties had over 300 workers certified since August 2004: Allen (543), Wyandot (530), Monroe (498), Miami (453), Ashtabula (394), Richland (310), Warren (308), and Muskingum (306). Wood County had 273 workers certified through five petitions.

Reemployment Experience of Manufacturing Workers

If laid-off workers were able to transition smoothly to new jobs outside of manufacturing, then growing trade deficits would be less of a problem. Unfortunately for these workers, finding a new job with comparable levels of pay and benefits is extremely difficult. Figure 4 reports the findings of a recent U.S. Department of Labor national survey of displaced workers. One out of every five workers who lost a manufacturing job between 2003 and 2005 was "not in the labor force" in January 2006, meaning that they were no longer seeking employment. While some of these workers may have retired, others simply became discouraged and gave up looking for a new job. Another 15 percent of these workers were still unemployed. Altogether, over one-third did not have a new job.

Figure 4.
U.S. Manufacturing workers laid off between 2003 and 2005: Employment status in January, 2006

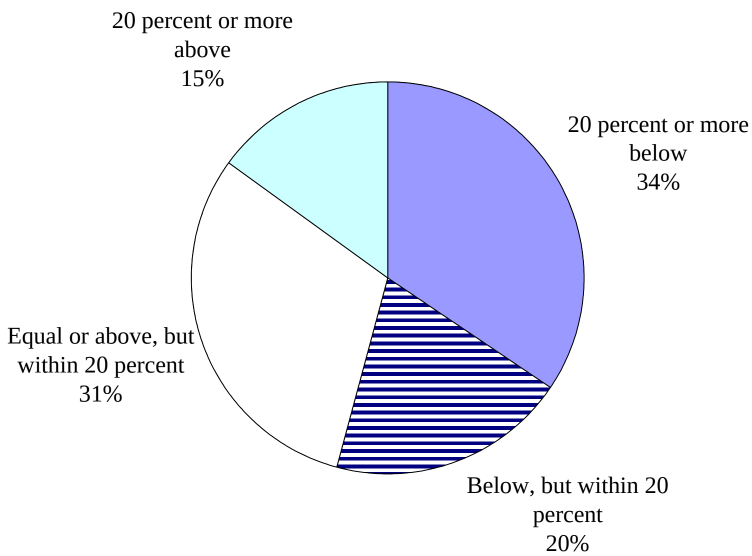


Source: U.S. Department of Labor; Policy Matters Ohio.[30]

Figure 5 reports earnings data from the same U.S. Department of Labor survey for workers who were reemployed full-time.[31] Over half (54 percent) of the manufacturing workers who found new full-time jobs received wages that were below those of their previous jobs. One-third of workers experienced a substantial wage decline of at least 20 percent, while just one in seven experienced a substantial increase in wages.

[30] U.S. Department of Labor News Release, Displaced Worker supplement to the Current Population Survey. Table 4. "Displaced workers by industry and class of worker of lost job and employment status in January 2006." August 17, 2006. Available at www.bls.gov/cps.
[31] About 85 percent of reemployed manufacturing workers found a full-time position. The remainder were either employed part-time or were self-employed.

Figure 5.
Wage Levels of Reemployed U.S. Manufacturing Workers Compared to Previous Jobs, January 2006*



Source: U.S. Department of Labor; Policy Matters Ohio.[32]
* Reemployed at full-time positions only.

While these figures are alarming, they show some improvement over the results obtained from the previous survey in January 2004, covering manufacturing workers who were laid off in the 2001-2003 period. In this earlier cohort of displaced workers, 60 percent found a job. Of those who found a full-time job, 64 percent found jobs that paid less their previous position.[33]

Given the employment crisis in Ohio, it is reasonable to think that displaced manufacturing workers in our state had reemployment experiences that were worse than the national averages. As thousands of these workers and their families drop out of the middle class, rising trade deficits threaten the standard of living in our state.

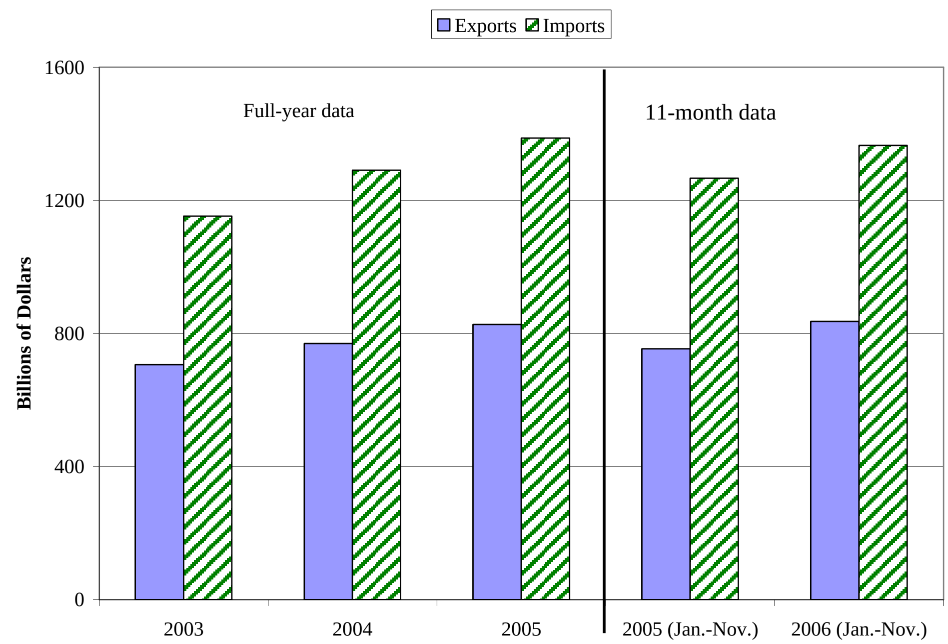
[32] U.S. Department of Labor News Release, Displaced Worker supplement to the Current Population Survey. August 17, 2006. Table 7, "Displaced workers who lost full-time wage and salary jobs and were reemployed in January 2006 by industry of lost job and characteristics of new job." Available at http://www.bls.gov/cps/
[33] U.S. Department of Labor News Release, Displaced Workers Summary. Worker Displacement, 2001-2003. Table 7, "Displaced workers who lost full-time wage and salary jobs and were reemployed in January 2004 by industry of lost job and characteristics of new job." July 30, 2004. Available at www.bls.gov/cps/.

Trade Deficit Trends

Each year, the total dollar amount of imported goods purchased in the United States far exceeds the amount we export.[34] We continue to run a small trade surplus in services that offsets about 8 percent of the trade deficit in goods. Most traded goods are manufactured articles, but the total trade balance in goods also includes other products, such as petroleum. Petroleum accounted for 19 percent of our inflation-adjusted trade deficit in goods in 2005.

Even excluding petroleum, it is obvious that the U.S. government's push for new trade deals created even more unbalanced trade in recent years. As shown in Figure 6, inflation-adjusted, non-petroleum imports increased by over $235 billion between 2003 and 2005, while exports increased by $121 billion. As a result, the non-petroleum goods trade deficit increased from $446 billion in 2003 to $560 billion in 2005 (Figure 7). This amount is larger than the economies of all but four states.[35]

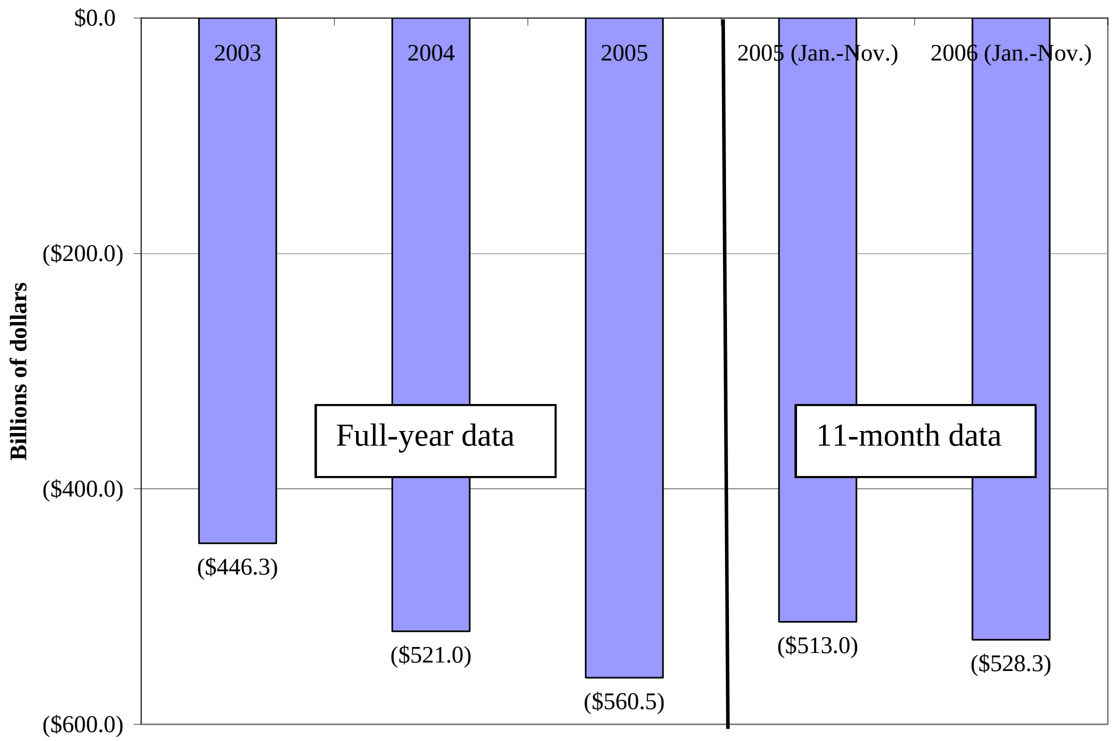
Figure 6.
U.S. Non-petroleum Goods Imports and Exports, 2003-2005, Jan. – Nov. 2006
(Chain-weighted 2000 dollars)*



Source: U.S. Department of Commerce; Policy Matters Ohio
* Seasonally Adjusted. November 2006 figures are preliminary.

[34] In 2005, imports worth $1,677 billion and exports of $895 billion combined for a goods deficit of $782 billion. A small trade surplus in services offset this amount by $66 billion. (U.S. Department of Commerce News Release, "U.S. International Trade in Goods and Services, September 2006. Exhibit 1, p. 4. Balance of payments basis.)
[35] California, Texas, Florida, and New York. Illinois, the fifth largest state economy, had a state GDP of almost $500 billion in 2005 (as measured in chained 2000 dollars). U.S. Department of Commerce.

Figure 7.
U.S. Non-petroleum Goods Trade Deficits, 2003 – 2005, Jan. – Nov. 2006
(Chain-weighted 2000 dollars)*



Source: U.S. Bureau of Economic Analysis; Policy Matters Ohio.
* Seasonally Adjusted. November 2006 figures are preliminary.

Through November 2006, the non-petroleum trade deficit level is three percent higher than last year's total. This is a slower rate of increase than the two previous years. Stronger exports decreased the monthly trade deficit since September. Exports have improved due to a decline in the dollar against the euro and other currencies, and faster growth in Japan and the European Union.[36] While this is a hopeful sign, changes in the dollar's exchange rate with the Chinese yuan and other Asian currencies will be required to reduce the trade deficit substantially. China, which is now accounts for one-fourth of the U.S. trade deficit, continues to keep its currency artificially low against the dollar in order to boost its exports to the U.S.[37] Typical estimates of the extent of the yuan's undervaluation range from 25 to 40 percent.[38] Analysts expect the U.S. trade deficit with

[36] Cooper, James C. "Finally, Relief from the Trade Deficit." *Business Week*. September 25, 2006, page 31.
[37] Bivens and Scott (2006). *op. cit.*, Table 2 and Figure B.
[38] Engardio, Pete, and Yang, Catherine. "The Runaway Trade Giant." *Business Week*, September 30, 2006., pp.30-33. Cites manufacturers' allegations that undervaluation is 40 percent. China has made very minor adjustments to its currency this year.

China for 2006 to surpass $230 billion, another record.[39] Chinese imports are responsible for 36 percent of the decline in domestic market share of the U.S. manufacturing sector.[40] The yuan has risen by six percent against the dollar since July 2005, but it is unclear whether the Chinese government will allow this trend to continue.[41]

Trade Deficits and Economic Growth

Increases in the trade deficit depress the rate of U.S. GDP growth as workers are laid off and businesses close. The purchase of foreign goods generates an income stream that is captured in part by foreign producers. This relationship is demonstrated in the U.S. Department of Commerce's calculations of the contributions made by imports, exports, consumer spending, and various other components of the economy to the overall rate of economic growth. In 2005, the economy grew by 3.2 percent in real terms.[42]

This method of national income accounting analyzes incremental changes from year to year. Increases in exports make a positive contribution to economic growth because they represent growing U.S. production. Conversely, an increase in the level of imports makes a negative contribution. The Department of Commerce combines changes in the export and import components to estimate the "net contribution" of foreign trade to economic growth.

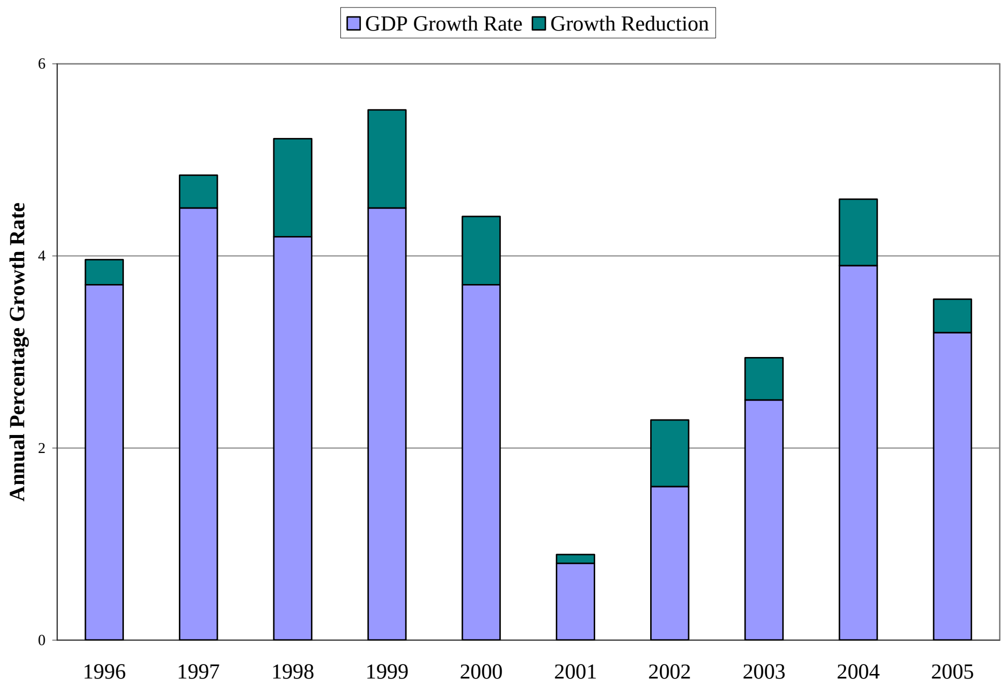
The net contribution of foreign trade in goods to U.S. GDP growth was negative every year from 1996 to 2005. In other words, trade reduced growth. The Department of Commerce data does not disaggregate petroleum and non-petroleum goods, and it does not permit an analysis of the economies of specific states, but it does give a general picture of the impact of foreign trade on the national economy. On average, growing trade deficits reduced the GDP growth rate by one half of one percentage point each year. This translated into an average annual reduction in growth of fifteen percent. The impact of foreign trade on the overall economy varied over these ten years, as trade deficits interacted with the domestic economic cycle.

Figure 8 below shows actual average annual growth rates in light blue, and the gap between the actual growth rate and the potential growth rate in green. The green "gap" area is obtained by setting the net contribution of foreign trade to zero in each year. In other words, the total height of the bar shows what the economy's total growth rate would have been if trade had not been a drag on the economy. In 1998 and 1999, the growth reduction was a full percentage point. In 2001, a recession year, imports fell but exports fell even more, combining to shave one-tenth of one percentage point from the economy's growth rate. In 2002, trade reduced the growth rate from 2.3 percent to 1.6

[39] Gregg Hitt, Greg Ip, and Andrew Batson. "Surging Exports Brighten Trade Picture." *Wall Street Journal*, January 11, 2007, p A2..
[40] Ibid, Table 2 "China's share of U.S. markets for manufacturing goods, 1997-2005."
[41] Areddy, James T. "Yuan's Ascent Begins to Pinch Chinese Exporters." *Wall Street Journal Online.* January 3, 2007.
[42] U.S. Bureau of Economic Analysis, National Income and Product Accounts. Table 1.5.2 "Contributions to Percent Change in Real Gross Domestic Product, Expanded Detail." Revision date Sep. 28, 2006.

percent. 2005 was a good year for exports, but imports still grew faster, reducing economic growth by one third of one percentage point.

Figure 8.
Reductions in Real Annual U.S. Growth Rates due to Rising Trade Deficits, 1996-2005



Source: U.S. Bureau of Economic Analysis; Policy Matters Ohio.

The strong economy of the late 1990s masked the effect of growing trade deficits on economic growth. As mentioned above, Ohio's production level dipped in the late 1990s despite solid national growth, causing manufacturing employment to decline several years before the recession of 2001. Some observers credited the growing trade deficit with holding inflation below levels that otherwise would have been expected with 4 percent annual GDP growth. If this is the case, then domestic manufacturing employment was sacrificed for a short-term gain. Coming out the recession in 2001, trade continues to have a negative impact.

The cumulative effect of trade-related reductions in economic growth is quite large, even over a short time period. The effect of trade deficits can be viewed as a growing gap between the economy's actual performance and its full potential. After the recession year of 2001, the economy grew by 11.7 percent in real terms between 2001 and 2005. If the trade deficit had been stable, the economy would have grown by 14.1 percent.[43] This scenario does not assume that trade deficits would have been reduced or eliminated.

[43] We calculate a potential economic growth rate by using a scenario in which the net contribution of foreign trade in goods to U.S. GDP growth is zero.

The 2.4 percentage point difference between actual economic performance and the stable trade deficit scenario adds to $236.7 billion in real GDP in 2005. To put this in perspective, this amount is equivalent to the GDP of the state of Washington, the fourteenth-largest state economy.[44] Economic losses of this size help to explain weak employment growth in Ohio and other Midwestern states that depend on manufacturing.

Assessing the Impact of Trade

Due to restrictive program rules, lack of awareness, and inadequate USDOL investigations, the TAA certification data are not comprehensive counts of the number of Ohio manufacturing workers who lost their jobs due to trade. A truly comprehensive and detailed estimate of trade-related job loss must be based on econometric modeling, especially if the goal is to include the effects of trade deficits on employment outside of the manufacturing sector. Economists at the Economic Policy Institute (EPI) in Washington, D.C., developed an econometric model to determine the number of jobs our economy has lost for trade-related reasons. Their model uses a "net exports" methodology that examines trade balances in specific industrial sectors. The results of the model include actual displacement effects and missed "job opportunities." Missing US job opportunities represent the effects of satisfying a certain segment of US domestic demand with imports instead of through domestic production.

The twelve-year anniversary of the North American Free Trade Agreement (NAFTA) in 2006 provided an opportunity for the EPI to examine the effects of the trade agreement (and its precursor U.S.-Canada Free Trade Agreement).[45] From the U.S. perspective, NAFTA created large trade deficits with both Mexico and Canada, and led to substantial displacements of workers in manufacturing. Overall, NAFTA reduced total 2004 U.S. employment levels by one million jobs and job opportunities, or about eight-tenths of one percent of total employment.[46] Ohio's 2004 employment level would have been 50,000 jobs, or nine-tenths of one percent higher.[47] Because of the composition of the manufacturing workforce, lower skilled workers with an educational level of a high school degree or less were harder hit than other segments of the workforce.

It is important to understand what went wrong with NAFTA, because we continue to repeat the same mistakes with other trade agreements. The report makes clear that NAFTA has been a losing proposition for working people in all three nations. In Mexico, a massive influx of foreign direct investment failed to create well-paid employment in part because most export facilities merely assemble foreign components.[48] Other sources

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[44] Washington's total gross domestic product was $238.1 billion in 2005. These amounts are measured in chained 2000 dollars.

[45] Scott, Robert E.; Salas, Carlos; and Campbell, Bruce. *Revisiting NAFTA: Still not working for North America's Workers*. Washington, D.C.: Economic Policy Institute. Briefing Paper # 173 (Sep. 2006).

[46] Scott, Robert E., in Scott, Salas, and Campbell, *op. cit.* "NAFTA's Legacy: Rising trade deficits lead to significant job displacement and declining job quality for the United States," pp. 3-32.

[47] *Ibid*, Table 1-3, p. 13.

[48] Salas, Carlos. "Between Unemployment and Insecurity in Mexico: NAFTA enters its second decade." In Scott, Salas, and Campbell, *op. cit.*, pp. 33-52.

also point to weak enforcement of labor standards and unionization rights.[49] Real average household income is now lower than before NAFTA.[50] The report also indicates that free trade in agricultural products devastated Mexico's rural economy and accelerated the immigration of working-age adults to the United States.

The Canadian experience with NAFTA is not cause for optimism, either. The Canadian economy has become more dependent on the United States but without raising living standards.[51] The increase in exports to the U.S. was driven mainly by a decline in the value of the Canadian dollar in the late 1990s. Rather than moving toward high technology industries, Canada's exports remain overly reliant on natural resources. Canadian wages have been stagnant and income inequality has increased. In sum, NAFTA made it easier for international corporations to shift investments among the three partner countries, but did not improve the living standards of North America's population.

The U.S.-China trade relationship has become as important as NAFTA. China is now the second largest source of U.S. imports. Our trade deficit with China has grown continuously, reaching $201 billion in 2005.[52] According to EPI calculations, growing trade deficits with China removed over 42,000 jobs and job opportunities from Ohio's economy between 1997 and 2003. Half of these were lost in 2002 and 2003 alone.[53]

The Chinese government continues to deny even basic labor (and human) rights, such as forming labor unions, and refuses to enforce wage and hour laws. These issues are not covered by World Trade Organization (WTO) rules. They are addressed by U.S. foreign trade law, but the current administration has blocked efforts to address these problems. In 2004, the AFL-CIO filed a petition with the U.S. Trade Representative (USTR) to initiate a Trade Act investigation of China's treatment of its workers as an "unreasonable practice" that places an undue burden on U.S. commerce. The USTR refused to even begin an investigation, however, even as it acknowledged that the practices exist.[54] In response to international pressure, some multinational corporations have begun monitoring their subcontractors' compliance with certain labor standards. According to a recent *Business Week* article, however, Chinese subcontractors have become extremely adept at thwarting effective audits, often with the help of specialized consultants.[55]

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[49] Patterson, Wendy. "Business as usual: Mexico's president ignores old-style labor repression." *San Francisco Chronicle*. July 19, 2001., p. A10.
[50] *Ibid*, p. 48.
[51] Campbell, Bruce. "Backsliding: The impact of NAFTA on Canadian workers." In Scott, Salas, and Campbell, *op. cit.*, pp. 53-60.
[52] U.S. China Economic and Security Review Commission. *2006 Report to Congress*, p. 25. http://www.uscc.gov.
[53] Scott, Robert E. *U.S.-China Trade, 1989-2003: Impact on jobs and industries, nationally and state-by-state.* A Research Report Prepared for the U.S.-China Economic and Security Review Commission. Economic Policy Institute. January 2005. Briefing Paper # 270. Available at http://www.epinet.org/workingpapers/epi_wp270.pdf.
[54] In denying the request, the USTR stated that "initiation of an investigation would not be effective in addressing the acts, policies, and practices raised in the petition." 69 Federal Register 26204-05, May 11, 2004.
[55] Roberts, Dexter, and Engardio, Pete. "Secrets, Lies, and Sweatshops." *Business Week*. November 27, 2006, pp. 50-58.

Even in practices that are covered under WTO rules, China's lack of progress is a continuing source of friction with other nations. According to the U.S.-China Economic and Security Review Commission, an independent agency established by Congress to monitor the bilateral relationship, "China's adherence to its many World Trade Organization (WTO) obligations remains spotty and halting in important areas five years after China attained membership. As a result, U.S. exporters and investors face a variety of non-tariff barriers and major impediments to conducting business in China."[56] In its annual report to Congress the Commission highlighted some of China's major economic policies that harm U.S. economic interests, such as currency manipulation, tolerance of widespread counterfeiting, subsidies to export industries, and domestic content requirements.

Most worrisome from the standpoint of Ohio and other Midwestern states is China's long-term strategy of building an export-led automobile and automobile parts industry, "with the U.S. market serving as the primary target."[57] In the short-term, China's industrial policy in autos fits very well with the strategies of the "Big Three" auto companies and major first tier suppliers to shed large segments of their U.S. workforce. In the long run, however, the rise of a Chinese-owned auto industry would pose a strategic challenge to established auto companies. In a hopeful sign, the U.S. Trade Representative initiated a WTO dispute resolution procedure to address China's taxes on imported auto parts.[58] This may signal a more aggressive stance on the part of the current administration. On the other hand, major auto companies are investing in China and expect their major suppliers to follow them and develop local sources of supply.[59] Addressing China's WTO violations on a sector-by-sector basis will take years, and does not deal with the underlying issues of labor rights and currency manipulation.

Conclusion and Recommendations

The costs of ever-increasing trade deficits are high. The most visible costs of the failure of U.S. trade policy to ensure fair and balanced trade are plant closings and layoffs of manufacturing workers. This report used TAA program data as one way to provide a minimum threshold for trade-related job loss in Ohio. Despite limitations in coverage caused by federal law, and a lack of due diligence by USDOL in its investigations of TAA petitions, the program certified nearly 19,000 trade-related layoffs in Ohio since August 2004. Since 2001, a total of 51,095 Ohio workers received TAA certifications.

U.S.-based companies caused much of the increase in the trade deficit by moving plants overseas or subcontracting with foreign suppliers. This trend is evident in Ohio TAA certifications. Since August 2004, Ohio employers caused over half of the job losses

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[56] U.S.-China Economic and Security Review Commission, *2006 Report to Congress*, Washington, D.C., p. 3, executive summary. Available at http://www.uscc.gov/annual_report/2006/executive_summary_06.pdf.

[57] *Ibid*, pp. 11-13.
[58] Office of the U.S. Trade Representative Press Release. "United States Files WTO Case Against China Over Treatment of U.S. Auto Parts." March 30, 2006.

[59] Batson, Andrew. "China's Rise as Auto-Parts Power Reflects New Manufacturing Edge." *Wall Street Journal* (online). August 1, 2006.

covered by TAA by building new production facilities in another country or increasing imports to substitute for Ohio-made products. Some companies may have felt they had no choice to take these actions because they are losing business to major competitors who took advantage of cheaper overseas locations, or because major customers demand the "China price" on an increasing array of products. Others may have been eager to shed their obligations to a U.S workforce, such as pension and health care benefits, and move to low-wage, non-union locations that lack any meaningful regulations to protect the environment or worker safety. In the end, the result is the same – deindustrialization due to foreign trade, enabled by federal policy.

The path to reemployment for many laid-off manufacturing workers is very difficult. Evidence indicates that one in five unemployed workers leaves the workforce altogether. Workers who are reemployed have difficulty meeting their previous wage levels. The impact of rising trade deficits does not stop with these workers, however. A plant closing or large layoff sends economic shock waves through a community, affecting other businesses that supply products and services to a trade-impacted facility, businesses that depend on workers as consumers, and schools and local governments that cut back services due to lost tax revenue.

One of the major economic puzzles of recent years is why Ohio, Michigan, and other Midwestern states have had such weak job growth. Part of the answer is that rising trade deficits suppress industrial production far below what would have been expected at this stage in an economic cycle. The trade deficit grows because we import more than we export, and rising trade deficits are a drag on economic growth. Annual non-petroleum imports rose by $235 billion in real terms between 2003 and 2005, but exports increased by $121 billion. The trade deficit rose again in 2006, although at a much slower pace. The long-term continuation of the trade deficit means that our economy operates below its full potential. Rising exports have been insufficient to compensate for the loss of domestic market share experienced by U.S. production facilities.

If the dollar remains weak during 2007, it is possible that the trade deficit will be flat or even contract due to rising U.S. exports. Some observers may conclude that the tide has been turned and that U.S. trade policy is working. While any decrease in the trade deficit should be welcomed, we cannot rely on short-term currency fluctuations to resolve a structural imbalance in our foreign economic relations. Nor should we rely solely on certain traditional trading partners to bear the brunt of currency readjustment while China's exchange rate manipulation is unresolved. U.S. exports surged in the early and mid-1990s during a previous period of weakness in the dollar, but this did not lead to any permanent improvements in the trade deficit. In fact, by the late 1990s the situation had reversed and the U.S. experienced large increases in the trade deficit. Enormous structural pressures will continue to lead to the transfer of jobs overseas, as the Delphi bankruptcy illustrates. Delphi will emerge from bankruptcy as a major automobile parts supplier, but most of its production capacity will be outside of the United States.

A continuation of this state of affairs is unacceptable. In the short run, we must do a better job of taking care of workers and communities that have been impacted by foreign trade. Reforming the TAA program is an essential first step. The program is part of a historic bargain between our nation's political leadership and workers who lose their jobs due to trade. If this bargain is to have any meaning in the 21st Century, the program has to work correctly. The essence of a well-functioning program is that the U.S. Department of Labor conducts a thorough petition investigation and "gets it right" the first time. In a layoff situation, time is of the essence. Assistance that comes months, or years, after a plant is shut down is of far less value to unemployed workers.

Congress has an important job to do when the TAA program comes up for reauthorization later this year. Lawmakers should make sure the program is fully funded, and address overly restrictive program rules that lead to different outcomes on TAA petitions for similarly situated groups of workers. For example, it defies common sense to deny TAA certification on the grounds that a discrete part is not "like or directly competitive" with a fully assembled item that incorporates that part. Similarly, Congress should reexamine current law's preferential treatment of petitions covering production shifts to countries with a free trade agreement. This rule was adopted when the program was reformed in 2002 and the former NAFTA-TAA program was merged with the regular TAA program. (Before the 2002 reforms, NAFTA-TAA certified layoffs due to production shifts, while the regular TAA program did not.) This approach will involve rethinking the ties between specific free trade agreements and TAA program rules, but the present situation makes an artificial distinction between similarly situated groups of workers. As free trade agreements become more common under the WTO framework, it makes less sense to argue that production shifts to countries with which we maintain such agreements are special cases.

Despite thousands of trade-related job losses in Ohio, few workers qualify for TAA because they worked at a company that supplied products to a TAA-certified establishment. Again, restrictive program rules may be partly to blame for low level of certification among "secondary workers," but lack of awareness of the TAA-program among managers and workers at smaller companies is likely to blame. State workforce and economic development agencies should take the lead in marketing the program to smaller employers in conjunction with interested parties at the local level. These interested parties include business associations, labor unions, local economic development agencies, and community groups.

Even in an era of globalization, we should not assume that our industrial base is doomed. Ohio retains a strong base of smaller, often family-owned firms that are committed to staying in their communities. State economic development strategy has been focused on tax breaks and financial assistance packages to the neglect of micro-economic strategies that make the critical difference in creating lasting competitive advantage. A key challenge in this respect is the effective integration of workforce development and economic development programs. Programs that serve dislocated workers are traditionally viewed as social services, but an effective economic development strategy also would use these programs as a way to redirect skills and experiences to growing businesses while still meeting the needs of individual workers. The TAA program has an important advantage in meeting this goal because it provides extended income support for workers who are in training, enabling them to take longer, more skill-intensive training courses.

In order to improve Ohio's response to economic dislocation, Policy Matters Ohio is working with the National Employment Law Project (NELP), a national non-profit group, to foster a dialogue among state agencies, employers, unions, and other interested parties. Ohio has many of the tools that it needs to respond to the threat of economic dislocation, such as a network of one-stop employment centers and programs to provide technical assistance to manufacturers, but these resources can be better coordinated. Going forward, the state needs to do more to build an "early warning network" that identifies companies that are in trouble and directs appropriate resources to help them become competitive again.

In the long run, we should create a national trade policy that benefits domestic manufacturing and its workforce, and not just corporate insiders. In part, this means taking a clear stance against currency manipulation and aggressively ensuring market access for U.S. exports. It also means using access to the U.S. market as a way to leverage better treatment of foreign workers. Incredibly cheap goods come at someone else's expense – U.S. workers who lose their jobs, and foreign workers laboring in sweatshops for sixteen hours a day, seven days a week for wages that keep them in poverty. The development of a stable middle class in Latin America, China, and other countries would allow them to be less reliant on export-led growth, and it would also create more consumers who could buy U.S.-made products.

All too often supporters of our current trade laws portray our policy options as a false choice between "free trade" and "protectionism." This portrayal gets us nowhere in confronting the hard choices ahead of us. First, the costs of the current set of policies are extremely high. Negotiating new free trade agreements in the context of gigantic trade deficits flies in the face of reason. Second, "free trade" is a completely inaccurate description of our evolving relationship with China and other nations with export-led development policies. China's government represses basic human rights, and provides massive subsidies to exporters through preferential loans and currency manipulation. There is limited room for meaningful change within the current framework even if the U.S. vigorously enforces its antidumping laws and aggressively uses WTO dispute resolution provisions. The current framework appears to be inadequate to enforce labor and environmental standards, and actually threatens to undermine such standards where they exist. We need to rethink current trade policies. Ohio's workers deserve a better deal than they are getting.

Appendix

Table 4
TAA Certifications in Ohio Counties 1995 – 2006*
Ranked by Number of Workers

Rank	County	Petitions	Workers
1	Cuyahoga	61	6800
2	Trumbull	24	6128
3	Montgomery	24	5675
4	Hamilton	38	4812
5	Lorain	20	4049
6	Stark	36	3999
7	Franklin	23	3248
8	Muskingum	8	1445
9	Lake	20	1410
10	Shelby	9	1343
11	Summit	27	1318
12	Putnam	2	1235
13	Miami	18	1225
14	Butler	12	1155
15	Mercer	2	1100
16	Crawford	9	1093
17	Allen	9	1052
18	Wayne	7	937
19	Columbiana	8	923
20	Marion	6	901
21	Ross	4	860
22	Pike	2	825
23	Warren	7	793
24	Ashland	8	787
25	Monroe	2	730
26	Delaware	4	716
27	Auglaize	6	715
28	Richland	6	705
29	Lawrence	3	698
30	Clermont	2	615
31	Wyandot	4	601
32	Clinton	5	592
33	Sandusky	4	574
34	Erie	5	545
35	Hocking	4	541
36	Ashtabula	6	509
37	Van Wert	4	472
38	Williams	7	446
39	Licking	7	440
40	Scioto	2	434

41	Highland	1	420
42	Mahoning	12	414
43	Wood	7	410
44	Perry	4	392
45	Lucas	6	387
46	Huron	7	376
47	Greene	3	373
48	Union	2	351
49	Guernsey	2	338
50	Clark	6	332
51	Portage	7	332
52	Fulton	2	327
53	Darke	5	322
54	Pickaway	2	308
55	Belmont	4	307
56	Preble	3	279
57	Washington	5	272
58	Hancock	5	236
59	Seneca	2	232
60	Coshocton	2	207
61	Morrow	1	200
62	Defiance	2	197
63	Fairfield	3	183
64	Morgan	2	158
65	Tuscarawas	5	156
66	Ottawa	1	140
67	Logan	2	130
68	Jackson	2	120
69	Athens	2	106
70	Medina	2	95
71	Paulding	1	91
72	Henry	1	88
73	Geauga	3	85
74	Adams	2	71
75	Fayette	2	69
76	Madison	2	56
77	Meigs	1	44
78	Holmes	1	40
79	Knox	1	39
80	Noble	1	25
81	Carroll	2	21
	Total	581	71,175

Source: US Department of Labor; Policy Matters Ohio.
*10 certifications with 67 workers are not included in the Total because they could not be located in a county.

Policy Matters Ohio is a non-profit, non-partisan research institute dedicated to researching an economy that works for all in Ohio. Policy Matters seeks to broaden debate about economic policy by providing research on issues that matter to Ohio's working people and their families. Areas of inquiry for Policy Matters include work, wages, and benefits; education; economic development; energy policy; and tax policy. Generous funding comes from the Joyce, Gund, Cleveland and St. Ann Foundations and the Economic Policy Institute. To those who want a more fair and prosperous economy... Policy Matters.

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