International Trade and Job Loss in Ohio 2007

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.

1. This figure includes the former NAFTA-TAA program.

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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 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.

2. This update uses TAA program data from August 13, 2004 through December 31, 2006.

Policy Matters Ohio is a nonprofit, nonpartisan research institute dedicated to researching an economy that will work better for all in Ohio. Learn more about Policy Matters Ohio at ***www.policymattersohio.org.***