



GLOBAL TRADE, JOBS AND LABOR STANDARDS

GLOBAL TRADE AND JOBS: A COMPLEX RELATIONSHIP

Trade has the potential to raise incomes worldwide by spurring economic growth, reducing prices, increasing the variety of goods for consumers, and helping countries acquire new technologies. Trade contributes to economic growth in the U.S., but does have tradeoffs. While it does not affect the total number of jobs in the short run—that is determined by the overall strength or weakness of the economy—it does change the distribution of jobs across sectors and creates losers as well as winners. For example:

WORKERS IN INDUSTRIES THAT COMPETE WITH IMPORTS SUFFER...

- Between 1984 and 2004 more than 30 million U.S. workers lost their jobs, mostly in high import-competing manufacturing industries such as clothing, autos, and electronics. These industries account for only 30% of all manufacturing jobs in the U.S., but 38% of manufacturing job loss.

- Of the workers displaced—both in high import-competing and other manufacturing jobs, about one in three moved into new jobs with equal or better incomes, but one in four suffered earnings losses of more than 30%.
- Recent trends in globalization, like the growth of China and India, have increased the number of U.S. jobs “outsourced” to other countries. One estimate puts the number of white-collar job losses at 3.3 million by 2015.
- Nearly 70% of Americans who have health insurance get their coverage through employers, so losing a job can be extremely costly to families, with lost health coverage as well as lost wages.

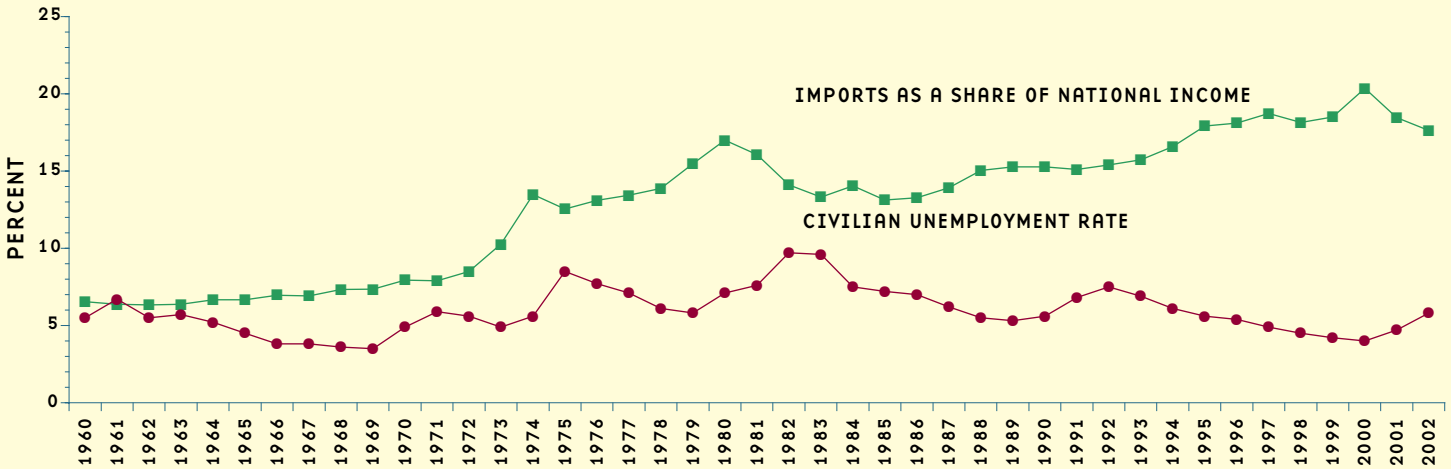
...BUT GLOBAL TRADE ALSO HELPS THE U.S. CREATE GOOD JOBS

- Trade in goods has grown from about 6% to 20% of the U.S. economy over the past 40 years. This means that more U.S. jobs are linked to trade, not only in the manufacture of exports

FIGURE 1.

TRADE AND UNEMPLOYMENT: NO SIMPLE RELATIONSHIP

Despite a steady increase in imports, U.S. employment rates have continued to rise and fall with business cycles, reaching 30-year lows in the 1990s even as imports grew sharply.



Source: Economic Report of the President, 2004.

but also in related service-sector industries such as trucking and shipping as well as retail employment in stores.

- Blue-collar workers in U.S. plants that export goods earn 13% more on average than those in non-exporting plants; white-collar workers earn 18% more on average. The value of employee benefits such as health insurance and paid leave is 37% higher on average in exporting plants.
- Imports of computers assembled abroad lower U.S. prices and spur investment in sectors that rely on computers. Partly for this reason, U.S. job growth in the 1990s was twice as high in the information technology sector as in other sectors.

GLOBAL TRADE BEYOND JOBS

LOWER BARRIERS TO TRADE ARE GOOD FOR WORKING PEOPLE WHEN THEY GO SHOPPING . . .

- **Lower prices:** An average single-parent family in the U.S. today pays an extra \$200 on clothes and \$70 on shoes each year as a result of trade barriers.
- **Greater variety:** U.S. trade with Chile, New Zealand, South Africa, Thailand, and other countries allows Americans to purchase affordable fruits and vegetables year-round. And it goes both ways—exports of U.S. oranges to China grew from 0.3 million kilos in 1999 to 23.3 million kilos in 2001.
- **Higher quality:** In the 1970s and 1980s, foreign competition forced the “Big Three” U.S. auto makers to be more responsive to consumers and to improve quality.

...AND TRADE COULD DO MORE TO HELP THE POOR— BOTH AT HOME AND ABROAD

U.S. trade barriers hurt the poor most, at home and globally. U.S. tariffs are highest on certain food products, clothing, and shoes—items that make up a larger share of low-income Americans’ expenses and are produced in poor developing countries (see Table 1).

- **Low-income Americans:** A worker earning \$15,000 a year spends proportionately more of his income on highly protected goods and has to work an extra week to earn the amount he pays in tariffs each year. A single mother earning \$25,000 a year has to work an extra 3 days. A person earning \$110,000 a year need only work 1.5 days extra because she tends to spend a smaller share of her earnings on goods with high tariffs.

WHAT AMERICANS THINK ABOUT TRADE AND EMPLOYMENT POLICIES

- 53% support increased trade but are not satisfied with how the U.S. government is “dealing with the effects of trade on American jobs, the poor in other countries, and the environment.”
- 87% would support increased trade if assured that “we were making major efforts to educate and retrain Americans to be competitive in the global economy.”
- 93% believe that countries that are party to trade agreements should be required to maintain minimum labor standards.

Sources: “Americans on Trade, Globalization, and Farm Subsidies,” Program on International Policy Attitudes, 2004; Kimberly Ann Elliott and Richard B. Freeman, *Can Labor Standards Improve Under Globalization?* Washington, DC, Institute for International Economics, 2003

TABLE 1. HITTING THE POOREST HARDEST

U.S. tariffs are highest on goods consumed by the American poor and produced by the global poor.

ITEM	PRINCIPAL SOURCE COUNTRY	AVERAGE TARIFF
Necessity items		
Orange juice	Brazil	25%
Baby clothes	China	11%
Acrylic sweaters	Indonesia	30%
Inexpensive shoes	China	32%
Luxury items		
Artwork, perfume	France	0%
Gold-plated forks	France, UK, Germany	0%
Gems and jewelry	Israel, Belgium	0%
Women's silk shirts	China	7%

Source: PPI Trade Facts, www.ppionline.org; U.S. International Trade Commission, DataWeb, www.usitc.gov (2005).

- **Global poor:** With the current U.S. tariff structure, poor countries face the highest barriers to the U.S. market. For example, in January of 2005 the U.S. collected more in tariffs on goods from Sri Lanka (\$26 million) than from all of Scandinavia (\$15 million), although the value of Scandinavian goods is higher.

For more on the link between trade and development, see the Rich World, Poor World brief “Global Trade and Development” at www.cgdev.org/section/rwpw.

HELPING U.S. WORKERS GRASP THE OPPORTUNITIES OF GLOBAL TRADE

Trade barriers offer at best a temporary solution to saving jobs. One reason is that they provide no buffer against technical advances. Textile and apparel employment declined from more than 2 million jobs in 1970 to less than 1 million in 2004 even though these industries were protected by quotas and high tariffs. What alternatives can the U.S. use to support American workers?

SUPPORT FOR TRADE-DISPLACED U.S. WORKERS

With the Trade Adjustment Assistance (TAA) program, the U.S. government provides aid to certain workers who are certified as having lost their job because of trade or because their employer moved offshore. TAA includes:

- Retraining and income support after unemployment insurance runs out
- “Wage insurance” for some workers over age 55

that replaces up to 50% of the wage difference for up to 2 years when a worker takes a new job at a lower wage (capped at \$10,000)

- A refundable tax credit to pay up to 65% of the cost of maintaining health insurance for up to two years for displaced workers

For more information on the TAA program, visit www.taacoalition.com.

PREPARING U.S. WORKERS FOR THE FUTURE

How could the U.S. do more to help American workers take advantage of opportunities in the global economy in the long run?

- **Improved basic education and more accessible college education:** College graduates are 22%–26% more likely to be reemployed if displaced than high school graduates, and their earnings losses are 7%–9% lower.
- **Lifelong training:** Workers who receive regular on-the-job training are better equipped to adapt to changing conditions in the global economy.
- **Access to health care:** With health care and insurance tied to jobs, the costs of dislocation are higher, anxiety about job loss is higher, and there are fewer incentives to adjust to economic change.

INTERNATIONAL LABOR STANDARDS AND GLOBAL TRADE

Many Americans worry that global trade can lead to poor working conditions for workers in other countries. Some advocates of international labor standards argue that including labor standards in trade agreements would prevent producers worldwide from cutting costs at the expense of worker rights. Opponents fear that labor standards would undermine job creation in some countries by increasing the cost of production or by serving as an excuse for protectionism in the U.S.

WHAT ARE CORE LABOR STANDARDS?

In 1998, the International Labor Organization (ILO) identified four standards as “fundamental principles and rights at work” that all countries should promote, whatever their level of development. They are:

- Freedom of association and the right to organize
- Freedom from forced labor
- Elimination of child labor that is harmful to the child or interferes with schooling
- Nondiscrimination in employment

WHAT AREN'T CORE LABOR STANDARDS?

Some labor standards, such as wage rates and health and safety regulations, must vary with the country's level of development and local living standards. Setting such standards too high can raise labor costs to a point where production is uncompetitive, thereby limiting employment.

HOW DO LABOR STANDARDS AFFECT DEVELOPMENT?

- Core labor standards are essential to well-functioning democracies and market economies; they allow workers to negotiate standards in other areas.
- There is no evidence that higher core standards affect developing countries' ability to compete or that countries with lower labor standards create more jobs, attract more foreign direct investment, or grow faster.

BUT:

- In some developing countries, governments, employers, and multinational buyers try to compete by ignoring labor and other laws. For example, some countries restrict core labor standards in "export processing zones," and some ignore the illegal firing of workers for trying to organize unions.

WHERE DOES THE U.S. STAND ON CORE LABOR STANDARDS?

Eight legally binding ILO conventions are related to the core labor standards, and 99 ILO member countries have ratified all eight.

QUESTIONS ABOUT GLOBAL TRADE, JOBS, AND LABOR STANDARDS

If you think it is important to strike a better balance on global trade, talk with your friends, neighbors, civic leaders, elected officials and candidates about it. Here are a few questions to get you started:

1. How can you help U.S. workers in a way that does not hurt the chances of the world's poor to produce and sell their goods and pursue a better life?
2. Has the Trade Adjustment Assistance program done enough to help displaced workers? If not, what more should be done?
3. Why hasn't the U.S. ratified additional conventions on core labor standards? Do you think it is important and feasible to do so?

- The U.S. has ratified two conventions—one on the abolition of forced labor and one on the elimination of the "worst forms" of child labor.
- The U.S. has not ratified two broader conventions on forced and child labor or any of the conventions related to freedom of association or nondiscrimination in employment, partly because many U.S. labor laws are made at the state level.
- Nine countries have ratified three or fewer of these conventions: Afghanistan, Armenia, Burma, China, Laos, Oman, Qatar, Solomon Islands, Somalia, and the United States.

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