



Select Committee on Economic Disparity and Fairness in Growth  
U.S. House of Representatives  
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WASHINGTON DC, 20515  
202-225-5990

## Memorandum

**To:** Members, Select Committee on Economic Disparity and Fairness in Growth  
**From:** Select Committee Majority Staff  
**Subject:** September 28, 2021, Select Committee Hearing entitled, “The Interconnected Economy: The Effects of Globalization on US Economic Disparity”

The Select Committee on Economic Disparity and Fairness in Growth will hold a hearing entitled “The Interconnected Economy: The Effects of Globalization on US Economic Disparity” on Tuesday, September 28, 2021, at 10:00 AM ET in 1309 Longworth House Office Building. There will be one panel with the following witnesses:

- **The Honorable William Spriggs**, Chief Economist, AFL-CIO; Economics Professor, Howard University
- **Dr. Adam Posen**, President, Petersen Institute of International Economics
- **Professor Carol Lee Graham**, Leo Pasvolsky Senior Fellow, the Brookings Institution
- **The Honorable Vince R. Williams**, Mayor, Union City, Georgia; First Vice President, National League of Cities

### Overview

Since the conclusion of World War II, the US has led the creation of a new globally interconnected economic order. Increased globalization, or the free flow of people, goods, and services across national borders, has yielded increased access to global supply chains, increased access to foreign markets, and reduced consumer prices. Globalization has simultaneously contributed to shifting the US economy from predominantly goods-producing to predominantly services-providing, dislocating US workers and creating economic pain concentrated in certain regions and demographic cohorts. Despite the creation of programs designed to support workers through this economic transition, American economic disparity has increased in particularly sensitive areas.

The purpose of this hearing is to listen to different perspectives on the effects of globalization on sectors of the US economy, geographic regions, and on the US workforce, as well as to evaluate the effectiveness of current worker support programs. Witnesses and Members will also discuss how potential policy shifts could remedy those disparately harmed by globalization without sacrificing its benefits.

### A Brief History of Globalization and the US Economy

In the period directly after World War II, countries made efforts to increase economic interconnectivity. The General Agreement on Tariffs and Trade (GATT), signed in 1947, sought to promote international trade through the reduction and elimination of trade barriers such as tariffs and quotas.<sup>1</sup> The GATT was superseded by the creation of the World Trade Organization (WTO) in 1995 when the WTO expanded its trade agreements to include services and intellectual property, as well as setting up mechanisms to resolve trade disputes.<sup>2</sup> When the

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<sup>1</sup> World Trade Organization, [History of the multilateral trading system](#).

<sup>2</sup> Ibid.

GATT was signed, the value of the goods and services imported to and exported from the US totaled \$309 billion in 2020 dollars. In 2020, the latest year for which data are available, they totaled roughly \$5 trillion—a nearly 16-fold increase.<sup>3</sup> As a percentage of gross domestic product (GDP), the value of exports and imports peaked at 30.8% in 2011—up from 10.7% in 1947—before declining slightly to 23.4% in 2020.<sup>4</sup>

As emphasized in OECD (2017), increased global freedom of movement for goods and labor has increased competition among companies and workers, enabling the spread of supply chains around the world and the relocation of jobs and inputs in exchange for cheaper prices, as discussed in the following sections.<sup>5</sup>

### **Some Benefits of Globalization for US Workers and Consumers**

In 2018 some 40 million American jobs—or roughly one in every five—were supported by international trade, an increase of 25 million from 1992.<sup>6</sup> Jobs supported by trade are in a variety of sectors, including manufacturing, which in 2016 directly supported 6.3 million jobs through the export of US manufactured goods, accounting for half of all manufacturing employment.<sup>7</sup> Trade is critical for the services sector as well: in 2019, US exports of services reached nearly \$850 billion, supporting well-paying jobs in a variety of industries.<sup>8</sup> American farmers and ranchers, who export roughly 25% of their products each year, also benefit from international trade.<sup>9</sup>

In addition to supporting certain sectors of employment, globalization also provides a range of advantages for consumers. Lower trade barriers increase access to higher quality and lower-priced goods for consumers and disproportionately benefit lower-income Americans, who spend a larger share of their income on consumption goods.<sup>10</sup> They also lead to a wider variety of inputs for producers: at least half of all imports to the United States are not final products for consumers, but rather imports of intermediate inputs for American manufacturers.<sup>11</sup>

A widening wealth gap, deindustrialization, and the shrinking of the middle class have all played into the narrative that freer flows of goods and services have eroded the ability for Americans to earn a good life.<sup>12</sup> Trade always creates winners and losers, and the negative outcomes of globalization can often be highly concentrated among certain industries, geographies, or populations.<sup>13</sup> Policymakers should consider how those negatively impacted by a changing economy outside their control can be duly compensated and supported. That said, increased globalization has conferred certain net positive benefits to the United States, and any attempts to withdraw significantly from the globalized economy would bring drastic economic harm.<sup>14</sup>

### **The Growth of US Service Sector Employment and Decline of US Manufacturing Sector Employment**

As seen in the Figures below, jobs in the service-providing sector, including jobs in finance, education, health services, leisure/hospitality, retail sales, and transportation, have steadily increased since the 1960s, while jobs in the goods-producing sector, including jobs in manufacturing, construction, and natural resources mining, rose and fell in boom-and-bust cycles until the year 2000, at which point they decreased significantly through the end of

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<sup>3</sup> Federal Reserve, [Economic Data](#).

<sup>4</sup> Federal Reserve, [Economic Data](#).

<sup>5</sup> OECD Economic Outlook, [Chapter 2, How to Make Trade Work For All, Volume 2017 Issue 1, Box 2.2](#), 2017.

<sup>6</sup> Trade Partnerships Worldwide LLC, [Trade and American Jobs: The Impact of Trade on U.S. and State-Level Employment 2020 Update](#), October 2020.

<sup>7</sup> International Trade Administration, [Employment and Trade: Jobs Supported by State Exports 2016 Data](#), March 2018.

<sup>8</sup> U.S. Bureau of Economic Analysis, [U.S. International Trade in Goods and Services](#), December 2019.

<sup>9</sup> American Farm Bureau Federation, [Fast Facts About Agriculture and Food](#), 2019.

<sup>10</sup> The Hamilton Project, [Where Does All the Money Go: Shifts in Household Spending Over the Past 30 Years](#), 2015.

<sup>11</sup> Mercatus Center at George Mason University, [The Benefits of Free Trade: Addressing Key Myths](#), May 2018.

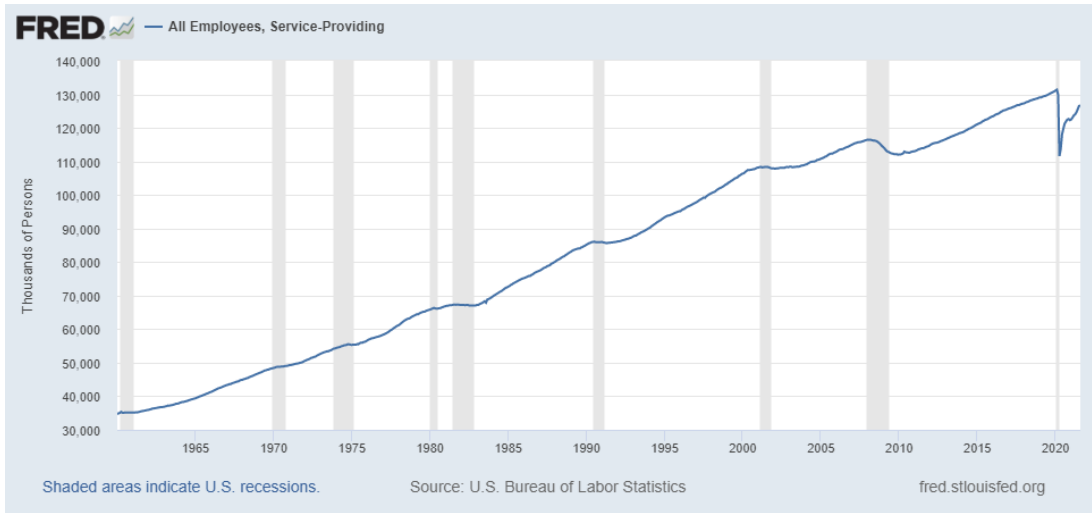
<sup>12</sup> Pew Research, [In U.S. and UK, Globalization Leaves Some Feeling ‘Left Behind’ or ‘Swept Up’](#), October 5, 2020.

<sup>13</sup> Mercatus Center at George Mason University, [The Benefits of Free Trade: Addressing Key Myths](#), May 2018.

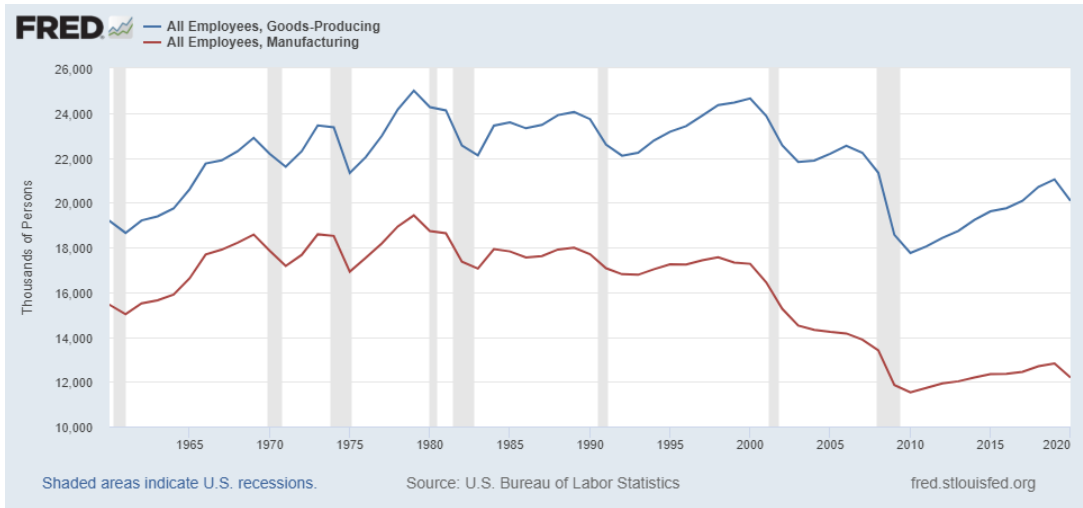
<sup>14</sup> Ibid.

the Great Recession in 2010.<sup>15</sup> Goods-producing and manufacturing jobs then began a slow but steady recovering until the beginning of the COVID-19 pandemic in 2020.

**Figure 1: Service-Providing Employment (In Thousands) between 1960-2021**



**Figure 2: Goods-Producing and Manufacturing Employment (In Thousands) between 1960-2021**



Per Figure 2 above, the US economy lost 1.5 million manufacturing jobs between 1980 and 2000, and 5 million jobs between 2000 and 2017. As a share of total nonfarm employment, the manufacturing share was 28% in 1960, declining to 13% in the year 2000, and currently stands at 8.6% in 2020.<sup>16</sup> These losses have affected the employment rates of prime-age workers: analysis from Charles et al. (2018) finds that for every 10 percentage point decline in the local manufacturing share of total employment, local employment rates are reduced by 3.7% for prime-age men and 2.7% for prime-age women.<sup>17</sup>

<sup>15</sup> U.S. Bureau of Labor Statistics, [Goods Producing Industries](#) and [Service-Providing Industries](#), September 2021.

<sup>16</sup> U.S. Bureau of Labor Statistics, [The Fall of Employment in the Manufacturing Sector](#), August 2018.

<sup>17</sup> Charles et al. [The Transformation of Manufacturing and the Decline in the U.S. Employment](#), March 2018.

## **Loss of Manufacturing Jobs Driven by Multiple Factors, including Globalization**

This decline in US manufacturing employment is often attributed to a combination of productivity growth in the manufacturing sector (facilitated by technological advances or “automation”) and increased globalization. The productivity story is clear in observing the simultaneous decline in manufacturing employment and growth in manufacturing output since the late 1980s. Today’s manufacturing output is 5% greater than it was in 2000 but has become much more capital intensive and much less labor intensive.<sup>18</sup> The Committee intends to focus on the effects of technology and automation on employment in another hearing this fall. The focus of the current hearing and this memorandum is on the impacts of globalization.

Two events commonly associated with the relationship between trade liberalization and the decline of manufacturing employment in the United States are the implementation of the North American Free Trade Agreement (NAFTA) in 1994 and the admission of China into the World Trade Organization (WTO) in 2001. Proponents of NAFTA claim that some 14 million American jobs rely on trade with Canada and Mexico and that deeper economic integration in North America has spurred domestic job creation, but the economic literature on the realized effects of NAFTA on American employment paints a mixed picture—especially for specific segments of the economy.<sup>19</sup>

A 2014 report by economists at the International Trade Commission on the impacts of NAFTA notes that some research finds that the expansion of bilateral trade between the United States and Mexico has not significantly affected the US labor market due to the relatively small size of imports from Mexico as well as the already-low tariff rates between the two countries prior to NAFTA. Conversely, other research has found that the growth of the bilateral trade deficit between the United States and the other NAFTA members led to both job displacement and diminished job quality due to the shifting composition of employment across borders. More recent research has begun to acknowledge the significant and concentrated effects of labor outcomes in certain regions of the country and in certain industries.<sup>20</sup>

A seminal 2016 working paper entitled *The China Shock: Learning from Labor Market Adjustments to Large Changes in Trade* speaks to this by examining the effects of import competition from China on local US labor market outcomes.<sup>21</sup> The paper surmises that the combination of the rapid rise in Chinese productivity in the era following reforms to China’s economy in the 1980s and increased access to US markets for Chinese firms following the admittance of China into the WTO led to intense and sustained import pressure for a segment of the domestic manufacturing sector and concentrated geographic clusters.

The sectors supplying the manufacturing industries and workers involved along the entire supply chain were likewise disproportionately negatively affected. The paper duly finds that regions that were more exposed to an increase in Chinese import competition—specifically, in the Midwest and Southeast—experienced significantly larger reductions in manufacturing employment between 1990 and 2007 than those with milder competition. These declines were for the most part accompanied by increases in the regional share of the working-age population that was either unemployed or not in the labor force. This finding holds true for these regions’ workers in the manufacturing sector at all education levels as well as for workers across sectors without college degrees.

The story that globalization alone led to the decline in manufacturing employment, however, is incomplete. Many empirical analyses estimate that the total decline in manufacturing employment caused directly by increased Chinese imports make up only a portion of the total manufacturing job loss in the United States. One study found that the manufacturing employment decline directly attributed from import competition from China totaled

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<sup>18</sup> Ibid.

<sup>19</sup> US Chamber of Commerce, [The Facts on NAFTA: Assessing Two Decades of Gains in Trade, Growth, and Jobs](#), 2017.

<sup>20</sup> U.S. International Trade Commission Office of Economics, [The Impact of NAFTA on U.S. Labor Markets](#), June 2014.

<sup>21</sup> National Bureau of Economic Research, [The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade](#), January 2016.

560,000 between 1999 and 2011.<sup>22</sup> Over the same period, total US manufacturing employment declined by 5.8 million, meaning Chinese imports accounted for less than 10% of the total realized job decline in the sector. A less sanguine analysis concluded that roughly three out of five manufacturing jobs between 2001 and 2018 were lost as a direct result of the United States' trade deficit in goods with China.<sup>23</sup> Methodological differences aside, both studies conclude that forces aside from globalization are significantly contributing to a shift in the composition of the American workforce.

### **A Bright Spot for US Manufacturing: The US is a Global Leader in Food Production and Export**

Manufacturing any kind of good in the economy involves a whole supply pipeline (or value chain) from primary inputs to intermediate inputs to final goods. Food is a special kind of good originating from the land as an output of the agricultural sector. Harvested crops can go right to consumers purchasing fresh produce from a farmers' market to food manufacturers as intermediate inputs to be processed and packaged and sold at grocery stores, or to restaurants to prepare food to sell to customers. The number and variety of people involved in the production of food are vast; they may work on the farm, in the factory, in the retail store, or in the restaurant—or in transporting food. Tracing the total employment impacts of globalization on the food sector is thus complicated, but labor market data clearly indicate that contrary to the entire manufacturing sector, food manufacturing employment has continued to rise as the global reach of US food producers has increased.

As presented in a 2017 report, the US has a natural global comparative advantage in producing food at all points in the food value chain given its vast agricultural natural resources and the proximity of where food is grown to where it is processed, prepared, or shipped to ultimate consumers.<sup>24</sup> This report notes that over the past several decades as manufactured products overall experienced increasing negative trade balances—with the value of imports increasingly exceeding the value of exports among nearly all principal end-use categories—the foods, feeds, and beverages Census category was the only major sector with a slight positive trade balance. In terms of international trade in agricultural products, the USDA's Economic Research Service currently forecasts a record \$177.5 billion in agricultural exports for FY 2022, with imports forecasted to total \$159.5 billion, and shows Canada, Mexico, and China as the top three countries for US agricultural exports.<sup>25</sup>

Employment in the food manufacturing subsector has traditionally weathered the storms of past economic recessions better than employment in the heavy, durable-goods manufacturing sectors, simply because demand for food (a necessity) is not as sensitive to income loss as is demand for other goods and services. The food manufacturing workforce is also more demographically diverse compared with the heavy manufacturing sectors in terms of including more women and foreign-born/immigrant workers.<sup>26</sup> The unique characteristics of the agricultural sector and rural communities call for future study.

### **The Geographic Diversity of Globalization's Impacts**

The manufacturing sector has historically been highly spatially concentrated. The manufacturing share of total employment has decreased in each region of the US since 1960 (Figure 3).<sup>27</sup> The most drastic declines in manufacturing share of employment occurred in the regions with an above-the national average concentration of manufacturing jobs in 1960- in New England, East North Central, and Mid-Atlantic regions.

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<sup>22</sup> Peterson Institute for International Economics, [The Payoff to America from Globalization: A Fresh Look with a Focus on Costs to Workers](#), May 2017.

<sup>23</sup> Economic Policy Institute, [Growing China Trade Deficit Cost 3.7 Million American Jobs Between 2001 and 2008](#), January 2020.

<sup>24</sup> The Conference Board Committee for Economic Development, [Economic Contribution of the Food and Beverage Industry](#), March 2017.

<sup>25</sup> U.S. Department of Agriculture Economic Research Service, [Outlook for U.S. Agricultural Trade](#), August 2021.

<sup>26</sup> The Conference Board Committee for Economic Development, [Economic Contribution of the Food and Beverage Industry](#), March 2017.

<sup>27</sup> Urban Institute, [Manufacturing Employment](#), April 2018.

**Figure 3:** Manufacturing Share of Total Employment by Region, 1960-2015 (%)

**Manufacturing Share of Total Employment by Region, 1960–2015 (%)**

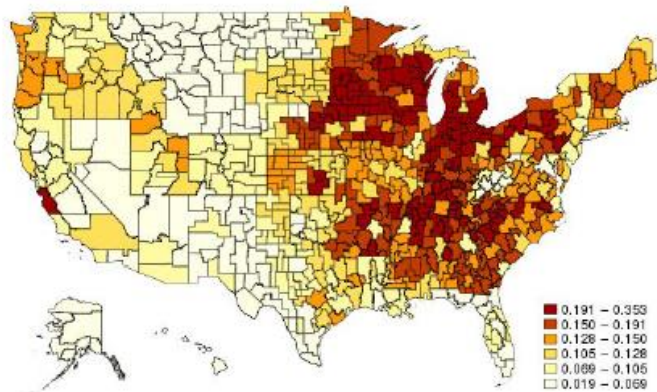
	1960	1980	2000	2015
New England	41.5	28.8	15.3	10.4
Mid-Atlantic	37.2	24.7	14.3	9.5
East North Central	41.0	29.8	21.9	16.9
West North Central	24.2	19.7	16.5	13.1
South Atlantic	27.4	21.0	13.3	8.6
East South Central	29.1	25.4	20.3	14.2
West South Central	19.4	18.1	13.3	9.6
Mountain	15.2	12.4	9.6	7.2
Pacific	27.1	19.8	13.4	9.9
US total	32.0	22.9	15.0	10.9

Sources: Author's computations from 1960, 1980, and 2000 censuses and 2015 American Community Survey.

**Source:** Urban Institute, [Manufacturing Employment](#) April 2018. Regions refer to the four U.S. Census Bureau designated Regions that are further separated into nine Divisions. Illustration [here](#).

The geographic concentration of manufacturing jobs becomes clearer when analyzed by commuting zones, which are geographic clusters of counties with strong commuting ties.<sup>28</sup> In 2000, almost 50% of manufacturing jobs were concentrated in 324 manufacturing intensive commuting zones (Figure 4). At the same time, these areas accounted for about 25% of total US jobs.

**Figure 4:** Manufacturing Share of Prime Age Population by Commuting Zone, 2000



Note: Figure shows the manufacturing share of the the 21-55 year population by commuting zone from the 2000 Census. The shaded areas represent six quantiles of commuting zones based on their 2000 manufacturing share. Commuting zones that are grey indicate no data. The darker the commuting zone, the higher the manufacturing share in 2000.

**Source:** Charles et al. [The Transformation of Manufacturing and the Decline in the U.S. Employment](#), March 2018.

Between 2000-15, these manufacturing-intensive areas experienced a manufacturing job loss of 7.5% as a percentage of total employment compared to the loss of 4.1% for the entire US. In terms of all private jobs, these areas experienced a 2.7% loss over the same period, while the US experienced an average *gain* of 8.5%.<sup>29</sup>

Due to the highly spatially concentrated nature of the manufacturing sector, economic shocks, including from trade, have larger and more persistent adverse effects on local economies because of multiplier impacts on local economic activity more broadly (loss of jobs or income means less demand for the output of any other local

<sup>28</sup> U.S. Department of Agriculture Economic Research Service, [Commuting Zones and Labor Market Areas](#), March 2019.

<sup>29</sup> Bartik, Timothy J. [What Works to Help Manufacturing-Intensive Local Economies?](#) May 8, 2018.

business, which means fewer jobs or income in other local industry, and so on), and because workers and households find it difficult to move out to places with better economic opportunities.<sup>30</sup> For instance, a recent study by Autor et al (2021) finds no evidence of either differential reductions in labor supply due to out-migration or greater absorption of workers by non-manufacturing sectors, differing from the previously established consensus among most scholars that losses from trade would likely be diffuse due to expected labor mobility across regions and industries. Instead, according to the study, manufacturing job loss results in a nearly one-for-one decrease in the employment-population ratio.<sup>31</sup> In fact, the authors find that the trade shock generated a very modest net out-migration from the impacted commuting zones predominantly among the foreign-born and native-born adults ages 25 to 39. Furthermore, the multiplier impact of a decline in local manufacturing sector employment on other local jobs is sizeable according to Bartik, who estimates that for each “job lost or gained in manufacturing, one or two additional local jobs are lost or gained.”<sup>32</sup>

Autor et al. also find evidence for the long-run adverse effects of manufacturing employment decline in trade-exposed commuting zones 10 years after the culmination of the trade shock [from China].<sup>33</sup> As contributing factors to this “persistence” and delayed recovery, the authors find support for a “dearth of college-educated workers, who are in high demand by sectors that are expanding nationally,” and for a snowballing *decline* of population from these manufacturing-intensive areas as there are fewer and fewer forms of economic activity and livelihood there. Charles et al. find a strong relationship between a commuting zone’s manufacturing share in 2000 and the change in employment between 2000 and 2016. In other words, the greater the percentage of manufacturing jobs a commuting zone had in the year 2000 correlated with fewer total jobs that commuting zone had 16 years later. For instance, for men, a 10-percentage point increase in the commuting zone’s manufacturing share in 2000 is associated with a 3-percentage point reduction in their employment rate, and for women with a 2.5 percentage points reduction.<sup>34</sup>

The long-run regional economic outcomes associated with trade shocks extend beyond lasting declines in employment rates and income levels and include lowered health outcomes, including greater opioid use and premature mortality.<sup>35</sup>

### **The Demographic Diversity of Globalization’s Impacts**

While globalization’s benefits for US consumers - access to a greater variety of goods at lower prices – are widespread, its costs – loss of employment and lower incomes – are more unevenly distributed across demographic groups. Men without a bachelor’s degree are perhaps one of the most frequently cited demographics adversely impacted by the decline of manufacturing jobs.<sup>36</sup> As the Urban Institute reports, in 1960, manufacturing industries provided the most jobs (nearly 37%) for men without a bachelor’s degree, but by 2015, that share dropped to just over 16% (Figure 5). At the same time, Charles et al. (2018) report that manufacturing has become an increasingly skilled sector, as measured by workers’ education, relative to other industries that have historically employed lower educated workers such as retail and construction.<sup>37</sup>

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<sup>30</sup> Charles et al. [The Transformation of Manufacturing and the Decline in the U.S. Employment](#), March 2018.

<sup>31</sup> Autor et al. [On the persistence of the China shock](#), September 9, 2021.

<sup>32</sup> Bartik, Timothy J. [What Works to Help Manufacturing-Intensive Local Economies?](#) May 8, 2018.

<sup>33</sup> Autor et al. [On the persistence of the China shock](#), September 9, 2021.

<sup>34</sup> Charles et al. [The Transformation of Manufacturing and the Decline in the U.S. Employment](#), March 2018.

<sup>35</sup> Autor et al. [On the persistence of the China shock](#), September 9, 2021; Charles et al. [The Transformation of Manufacturing and the Decline in the U.S. Employment](#) March 2018; Graham and Pinto, [Despair is hurting America’s labor markets](#), December 19, 2020.

<sup>36</sup> Urban Institute, [Manufacturing and the Economic Position of Men without a College Degree](#), April 2018.

<sup>37</sup> Charles et al. [The Transformation of Manufacturing and the Decline in the U.S. Employment](#), March 2018.

**Figure 5:** Share of All Men without a Bachelor’s Degree, 1960-2015 (%) *By Industry*

**Share of All Men without a Bachelor’s Degree, 1960–2015 (%)**  
*By industry*

	1960	1980	2000	2015
Agriculture	4.7	4.1	3.1	3.0
Nonmanufacturing production industries	25.3	27.4	29.6	28.7
Manufacturing	36.8	29.2	21.4	16.4
Low-end services	17.5	21.4	27.5	31.8
High-end services	15.6	17.9	18.3	20.2

Sources: Author’s computations from 1960, 1980, and 2000 censuses and 2015 American Community Survey.

Source: Urban Institute, [Manufacturing and the Economic Position of Men without a College Degree](#), April 2018.

In their analysis of manufacturing employment trends between 1990 and 2014, Autor et al (2019) find trade shocks “significantly depress the male relative to female employment-to-population rate.”<sup>38</sup> The losses in absolute earnings are likewise larger for male workers. At the regional level, a higher share of manufacturing sector employment is associated with lower *overall* employment rates for both men and women in the long run.<sup>39</sup>

While manufacturing sector employment is disproportionately represented by white workers, Black workers have suffered from job displacement due to trade pattern shifts in regions with high populations of Black residents, such as in northern Mississippi, western Tennessee, central regions of Virginia, and Midwestern cities such as Gary, Indiana and Youngstown, Ohio. Novel research on the impact of trade policy on Black workers further demonstrates the link between import competition by China and increased racial inequality for workers, “as measured by the change in the share of Black employment and the Black hire rate.”<sup>40</sup> The researchers find “a 3.2 percentage point reduction in the share of overall Black working age employment (ages 15-64), not just employment in the manufacturing sector, for every 1 percentage point increase in import exposure” and “Black earnings are reduced by 3.84 percentage points for every 1 percentage point increase in import exposure in the exposed sector (including manufacturing).”

Another recent analysis notes that communities of color are over-represented relative to their share of total workforce in the most trade-exposed sectors: US Census data from 2019 indicates 68% of Black Americans and 77% of Latinos do not have college degrees, compared to 54% of the white population, making it especially hard for these workers to compete for the decreasing number of jobs not requiring a college degree.<sup>41</sup>

**Moving On - What Happens to Displaced Workers?**

Job loss aside, the increase in import competition from China had strong effects on compensation and benefits for workers in trade-exposed regions. The Autor et al. study estimates that the average adult in a region exposed to \$1,000 of import competition from China per worker experienced an earnings loss of \$213 per year.<sup>42</sup> At the same time, newly unemployed workers became eligible for transfer benefit programs such as Unemployment Insurance, Trade Adjustment Assistance (TAA), publicly provided medical care, and income assistance. There was also an associated uptake in disability benefits and retirement benefits—two trends commonly associated with workers permanently exiting the labor market. Overall, every \$1,000 in local import exposure per worker in a trade-exposed region led to increased transfer benefits of \$58 per adult per year—accounting for less than one-third of

<sup>38</sup> Autor et al. [When Work Disappears: Manufacturing Decline and the Falling Marriage Market Value of Young Men](#), 2019.

<sup>39</sup> Charles et al. [The Transformation of Manufacturing and the Decline in the U.S. Employment](#), March 2018.

<sup>40</sup> Spriggs et. al, [The Impact on Trade on Black Workers](#), June 2021.

<sup>41</sup> Public Citizen, [Trade Discrimination](#), January 2021.

<sup>42</sup> Autor et. al, [The China Shock: Learning from Labor Market Adjustments to Large Changes in Trade](#), January 2016.



the associated earnings losses; moreover, many benefits, especially those offered under TAA, eventually expire, leaving displaced workers with both decreased government support and diminished earnings.

Longitudinal surveys have likewise confirmed that workers displaced due to import competition experience diminished earnings over the long term compared to similar workers in less exposed industries. These workers also experienced more job turnover and spent more years receiving Social Security Disability Income. Overall, manufacturing workers earn 13% more in hourly compensation, which includes both wages and benefits, than comparable workers in other areas of the private sector, though the manufacturing compensation premium has eroded by about one-fourth since the 1980s.<sup>43</sup> But despite the decrease in the earnings premium of manufacturing employment, benefits, which primarily include insurance and retirement benefits, remain a strong advantage for those employed in the sector and have actually increased between 1986 and 2018.<sup>44</sup>

Despite the negative outcomes for manufacturing workers in trade-exposed sectors and geographies, not all workers in these industries and areas experienced the same degree of career disruption. Workers in the top one-third of the earnings distribution for their birth cohort typically responded to heightened trade exposure by finding employment outside of the manufacturing sector and tended to not experience an earnings loss compared to their peers in less trade-exposed industries.<sup>45</sup> On the other hand, those who fell in the bottom third of the earnings distribution prior to the beginning of trade exposure often remained in the manufacturing sector and suffered from less stable employment and decreased wages long after the initial displacement.<sup>46</sup>

### **Current Policies and Programs and Avenues for Improvement**

According to a 2021 report released by the [American Enterprise Institute](#), the US comparatively underspends on active labor market programs in the developed world and approaches worker displacement uniquely.<sup>47</sup> In the US, workers who have lost their jobs to trade shocks are eligible for more support than workers who have been displaced for other reasons. This support has historically been people-focused, not place-based, aligned with the US precedent of people-focused federal public investments. Expenditures in 2017 on active labor market programs in the US were 0.1% of GDP, the second lowest of all OECD countries.<sup>48</sup> Funding for training and employment service programs has declined by half since a peak in the mid-1980s.<sup>49</sup>

The US has two primary federally funded programs that specifically support dislocated workers with training—Trade Adjustment Assistance (TAA) and the Workforce Innovation and Opportunity Act (WIOA) Dislocated Worker Program, discussed further below.<sup>50</sup> Both programs have been the subject of relatively few studies. The WIOA Dislocated Worker Program has shown “small, but positive, impacts on Dislocated Worker Program participants’ earnings and employment.”<sup>51</sup> One analysis of TAA pointed out inadequacies like the low replacement wage rates and the program’s small size relative to the scale of worker displacement.<sup>52</sup> The US federal government also offers states the option of work sharing, similar to models in European countries like Germany.<sup>53</sup> Work sharing or short-time compensation is meant to incentivize employers to reduce worker hours rather than lay off workers during economic downturns.

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<sup>43</sup> Mishel, Lawrence [Yes, manufacturing still provides a pay advantage, but staffing firm outsourcing is eroding it](#), March 12, 2018.

<sup>44</sup> Ibid.

<sup>45</sup> Autor et. al, [The China Shock: Learning from Labor Market Adjustments to Large Changes in Trade](#), January 2016.

<sup>46</sup> Ibid.

<sup>47</sup> American Enterprise Institute, [The Search For Stability](#), February 2021.

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

<sup>51</sup> Heinrich et. al, [Do Public Employment and Training Programs Work?](#) October 25, 2013.

<sup>52</sup> Demos, [Broken Buffer: How Trade Adjustment Assistance Fails American Workers](#), January 22, 2010.

<sup>53</sup> American Enterprise Institute, [The Search For Stability](#), February 2021.

Support for displaced workers varies by state. Some states do not offer any supplemental funding to programs to support displaced workers, while other states add dollars to federally funded programs or create their own unique programs to complement the federally funded initiatives.

### Trade Adjustment Assistance

The U.S. Department of Labor's Trade Adjustment Assistance (TAA) was created during the Kennedy Administration to assist American workers hurt by free trade policies as an alternative to restrictive trade measures.<sup>54</sup> Expanded TAA eligibility from the 2015 reauthorization expired in June 2021, narrowing current eligibility only to manufacturing sector workers who lost their jobs due to their company's decline related to trade with specific countries, including those that are a party to a free trade agreement with the United States.<sup>55</sup> TAA includes support for workers to relocate to new geographies for employment; however, it is one of the smallest expenditures of the program.<sup>56</sup> Previously the program covered service sector workers, public sector workers, and did not limit eligibility to any specific countries.<sup>57</sup> Critics of the TAA program have pointed out the program undercompensates for worker time and lacks evidence supporting the claim TAA helps workers find new jobs faster.<sup>58</sup> In 2018, the average age of new TAA program participants was 49.6.<sup>59</sup>

In September 2021, the House Ways and Means Committee passed a series of TAA adjustments as part of their 2021 reconciliation package markup, including increased benefits, expanded eligibility, mechanisms to invigorate farmers participation in the TAA program, and reestablishing the TAA for communities' program to support and initiate proactive outreach in trade-affected communities.<sup>60</sup>

### Workforce Innovation and Opportunity Act

The WIOA Dislocated Worker Program was designed to help workers who have lost their jobs, are unlikely to return to their previous industry or occupation, and have demonstrated eligibility for or exhaustion of unemployment compensation.<sup>61</sup> State workforce agencies receive formula grants to support local providers in implementing their own programs; however, these formula grants are subject to federal appropriations cycles, not entitlements, meaning the funding is subject to varying levels of investment.<sup>62</sup> TAA participants can co-enroll in the WIOA Dislocated Worker Program, and in 2018 over half of TAA participants did co-enroll in WIOA.<sup>63</sup>

### Support for displaced workers throughout the OECD

In Europe, the primary policy instrument for assisting workers displaced by globalization is the European Globalisation Adjustment Fund (EGF).<sup>64</sup> The program co-funds labor market policies, including training, job search assistance, and knowledge training for start-ups, with EU member states that provide additional funding and implement the initiatives.

Some of the country-specific successful adjustment strategies throughout the OECD countries have involved public-private partnerships and regional competitiveness, industry diversification, and targeted re-skilling initiatives. For instance, in Germany, the curricula for the vocational programs are developed "in partnership with

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<sup>54</sup> Congressional Research Service, [Trade Adjustment Assistance \(TAA\) and Its Role in U.S. Trade Policy](#), August 5, 2013.

<sup>55</sup> U.S. Department of Labor, [TEGL 24-20: Operating Instructions for Implementing the Reversion Provisions of the Amendments to the Trade Act of 1974 Enacted by the Trade Adjustment Assistance Reauthorization Act of 2015](#), June 2021.

<sup>56</sup> American Enterprise Institute, [The Search For Stability](#), February 2021.

<sup>57</sup> Department of Labor, [Side-by-Side Comparison of TAA Program Benefits](#), 2021.

<sup>58</sup> Posen, Adam S. [The Price of Nostalgia](#) June 2021; Spriggs et. al, [The Impact on Trade on Black Workers](#), June 2021.

<sup>59</sup> American Enterprise Institute, [The Search For Stability](#), February 2021.

<sup>60</sup> Ways & Means Committee Press Release, [Neal Applauds Committee Advancement of Build Back Better Act](#), September 15, 2021.

<sup>61</sup> U.S. Department of Labor, [WIOA Dislocated Worker Program](#).

<sup>62</sup> American Enterprise Institute, [The Search For Stability](#), February 2021.

<sup>63</sup> Ibid.

<sup>64</sup> OECD, [Productivity and Jobs in a Globalised World](#), April 26, 2018.

unions and industry associations,” adapting the content of programs to the regional needs. Another common strategy among the European countries, “Smart Specialization” initiatives, aim to enhance the competitiveness of regions by building on existing local assets, including skills and industry linkages. For example, in the Emilia-Romagna (Italy) region, there is a strategy built on the traditional automobile industry to promote automobile-related tourism.<sup>65</sup> The region is now known as the “Motor Valley” of Europe and generates economic activity through tourist attractions such as museums, fairs, and festivals. Work Foundations (Arbeitsstiftungen) is an example of a successful regional public-partnership restructuring program where workers are provided with comprehensive assistance including career reorientation, reskilling, matching, and psychological support.<sup>66</sup>

A primary criticism of the existing programs throughout the OECD countries is that initiatives tend to be reactive.<sup>67</sup> The private sector can play a vital role in providing proactive assistance for the transitioning workers. For instance, in preparation for downsizing, Saab Automobile (SAAB) in Sweden provided assistance like counseling and skills-training for workers still employed at SAAB—supporting both the future competitiveness of workers in the labor market as they transition out of the firm, as well as their overall well-being.

A review of 200 studies conducted on active labor market programs across almost 50 countries found that the most successful programs had emphasized human capital accumulation.<sup>68</sup> The programs that saw gains included wraparound supports to help participants complete the training programs and see them through the first days at their new jobs. This research suggests skill-based programs like apprenticeships, community college careers, and technical education, and sector-based training programs are the most promising for displaced workers.

### *Stronger Enforcement of Existing Trade Agreements*

Publications routinely report on how labor exploitation, environmental degradation, fragile supply chains, and unfair trade practices are serious threats to global prosperity and shared economic growth.<sup>69</sup> The United States is often in direct economic competition with countries that show blatant disregard for human rights and the natural environment, which in addition to their obvious negative outcomes abroad can lead to lower economic output, decreased exports, and job loss in the US.<sup>70</sup> Many experts believe the solution, however, does not lie in disengagement, but rather in stronger enforcement of international agreements, heightened labor and environmental standards, and a higher level of integration with like-minded allies.<sup>71</sup>

Enforcement mechanisms in the US-Canada-Mexico Agreement (USMCA), which built such standards into the framework of NAFTA, have already been used several times by the Biden Administration to respond to violations against manufacturing workers in Mexico.<sup>72</sup> Such enforcement is not only good for Mexican workers, but also for their American counterparts, firms that abide by international law, and overall productivity. By combining strong international relationships, economic heft, and additional resources behind increased enforcement, the US can help ensure that the international order works for all Americans.

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<sup>65</sup> Ibid.

<sup>66</sup> Eurofound, [Work foundation \(outplacement\)](#), 2021.

<sup>67</sup> OECD, [Productivity and Jobs in a Globalised World](#), April 26, 2018.

<sup>68</sup> American Enterprise Institute, [The Search For Stability](#), February 2021.

<sup>69</sup> Public Citizen, [About Public Citizen’s Global Trade Watch](#), 2021.

<sup>70</sup> Paul, Joel R. [Trading Up: Reversing the Race to the Bottom](#), September 2019.

<sup>71</sup> OECD Economic Outlook, [Chapter 2. How to Make Trade Work For All. Volume 2017 Issue 1](#), 2017.

<sup>72</sup> Office of the U.S. Trade Representative, [Ambassador Tai, Secretary Walsh Applaud Successful First Course of Remediation Under USMCA’s Rapid Response Mechanism](#), September 2021.