

NAFTA's Impact on Indiana

Job Loss Has Led To Downward Pressure on Wages and Living Standards

**New Reports Show 31,000 Jobs Lost in Indiana;
766,000 Jobs Lost Nationwide**



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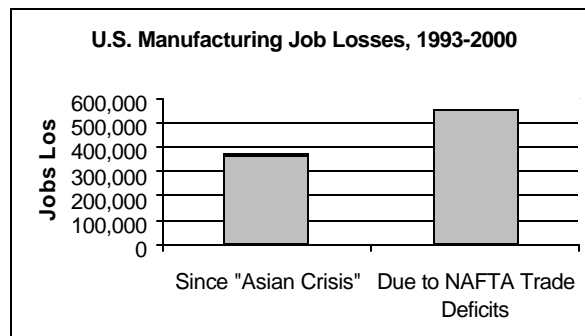
NAFTA's Impact on Indiana: Job Loss Has Led to Downward Pressure on Wages and Living Standards

New Reports Show 31,000 Jobs Lost in Indiana; 766,000 Jobs Lost Nationwide

When the North American Free Trade Agreement was being debated by the United States Congress in 1993, proponents argued that the passage of NAFTA would lead to increased job opportunities and rising living standards in the United States, Canada, and Mexico. Seven years later, evidence of economic gains for the majority of the population has failed to materialize in Indiana and the rest of the United States. Nor are the majority of people in Canada or Mexico better off as a result of NAFTA.

In Indiana and the United States overall, NAFTA has been a net destroyer of jobs, as a result of increased trade deficits. Nationally, a recent report from the Economic Policy Institute (EPI) shows, **more than three-quarters of a million** jobs and job opportunities were eliminated in the United States by increased trade deficits with Canada and Mexico during the operation of NAFTA.ⁱ **More than half a million** of these job losses were direct job losses in manufacturing, the sector principally affected by trade. By comparison, the net job loss in U.S. manufacturing since the 1998 "Asian financial crisis" largely induced by the International Monetary Fund and the World Bank's financial liberalization and austerity policies, which also caused huge job losses through increased U.S. trade deficits, was 368,000 jobsⁱⁱ (Table 1.) A state-by-state analysis by EPI shows **that thirty-one thousand of NAFTA's lost jobs and job opportunities were in Indiana**, with 27,000 direct job losses in manufacturing. The manufacturing job loss in Indiana included 9,700 jobs in electronic and electrical machinery, with 6,000 jobs lost in the production of household audio and video equipment alone; it also included 7,300 jobs in motor vehicles and other transportation equipment.ⁱⁱⁱ By April 2001, the government's NAFTA - Transitional Adjustment Assistance program (NAFTA-TAA), which only counts some NAFTA job losses, had certified 13,184 workers in Indiana as having lost their jobs due to NAFTA (Table 2.)^{iv} The distribution of these job losses has led to downward pressure on living standards and a weakening of workers' bargaining power. There is little reason to expect negotiations underway to extend the NAFTA model of economic integration to the rest of the Western Hemisphere – the proposed "Free Trade Area of the Americas" [FTAA] – to lead to a different result.

Table 1



Thus, a central claim of proponents of NAFTA in 1993, that NAFTA would create jobs in the United States, has been refuted by actual experience. The failure of NAFTA to achieve this central claim made for it by its proponents justifies skepticism in evaluating present claims of benefits from expanding NAFTA through the FTAA.

Given NAFTA's failure to create jobs in the United States, it is now common for proponents of NAFTA and of NAFTA expansion to concede that the purpose of NAFTA was never to create jobs. Now it is claimed that NAFTA has nothing to do with job creation, that the real significance of NAFTA is in promoting economic efficiency and therefore economic growth through increased international competition, and it is pointed out that the number of jobs lost due to NAFTA is small compared with the number of jobs created during the last expansion of the business cycle.

But the fact that more jobs were created by the economic expansion than were lost due to NAFTA does not imply that NAFTA job losses were inconsequential, because not all jobs are equal. As we would expect, NAFTA job losses have overwhelmingly occurred in manufacturing, since it is mostly the products of the manufacturing sector that are traded internationally. But average wages in the manufacturing sector are higher than in the rest of the economy. While the overall level of unemployment is determined more by the interest rate policy of the Federal Reserve than by trade policy, trade policy is reshaping the distribution of employment.

Surveys indicate that when workers displaced by trade do find new jobs, their wages fall, with earnings declining by an average of over 13%^v. These displaced workers' new jobs are likely to be in the service industry, the source of the overwhelming majority of new jobs created in the last decade. Average compensation in the service sector is only 77% of that in the manufacturing sector.^{vi} With the current business cycle expansion ending, displaced workers will find even fewer opportunities.

Moreover, both the theoretical and empirical evidence for significant gains in economic growth from NAFTA-type trade and investment liberalization is extremely weak.

In a recent paper, economist Dean Baker of the Center for Economic and Policy Research estimated what the direct gains to the U.S. economy would be of removing all tariffs on imports. He found that the gain would be roughly \$10 billion a year, a mere 0.1 percent increase in the size of the economy. If such a gain were distributed evenly to all households, it would add about \$45 a year to an average family income, less than \$1 a week.^{vii} By comparison, this is about a quarter of what even lower-income households can expect to get from the tax cuts currently being considered by the Congress.

The empirical evidence that NAFTA-type trade and investment liberalization leads to higher growth is no stronger. In a recent study using World Bank data, the Center for Economic Policy Research compared economic growth rates for 116 countries in the last two decades – a period of NAFTA-style trade and investment liberalization promoted by the International Monetary Fund, the World Bank, and the World Trade Organization – with the previous two decades, when national barriers to trade and investment flows were

higher. The CEPR study found that three-quarters of the countries had significantly higher growth rates in the earlier period – exactly the opposite of what one would expect if trade liberalization had led to higher growth.^{viii}

In particular, neither Mexico nor Canada has seen broad economic benefits for the majority of working families under NAFTA. In Mexico, between 1991 and 1998, the share of workers in salaried jobs with benefits fell sharply. By 1998, the incomes of salaried workers had fallen 25%. Under NAFTA, manufacturing wages in Mexico fell 21%.^{ix} In Canada, real incomes declined for the majority of the population in the 1990s, as unemployment averaged near 10% of the workforce.^x

There is little evidence that NAFTA has generated broad economic benefits. The costs of NAFTA to working families in Indiana and the rest of the United States – lost jobs and wages, weakened environmental laws, restrictions on democratic decision-making – have not been offset by economic gains for the majority of working families, in the United States, Mexico, or Canada.

| Indiana NAFTA-TAA Certifications as of April, 2001 | | | | | |
|---|------------------|--------------------------------------|--------------------|------------------|--------------------------|
| Company | City | What They Produced | Petitioners | Cause | Estimated Workers |
| General Electric | Bloomington | side by side refrigerators | IBEW | Moved to Mexico | 1400 |
| Eagle-Picher Industries | Huntington | engine cover | Company | Canadian Imports | 91 |
| Strick | Monroe | truck trailers and container chassis | Company | Mexican Imports | |
| Monon | Monon | truck trailers | CJA | Mexican Imports | 1000 |
| United Technologies | North Manchester | battery cables and wiring harnesses | IBT | Moved to Mexico | 193 |
| Borg-Warner Automotive Diversified Trans | Muncie | manual transmissions | UAW | Moved to Mexico | 1000 |

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|------------------------------------|-----------------|--|---------|------------------|-----|
| Tasus | Bloomington | printing operations & molding operations | Workers | Moved to Canada | 12 |
| Aircraft & Electronic Specialities | Indianapolis | electronic wire harnesses & cable assem. | Company | Canadian Imports | 60 |
| Jay Garment (The) | Portland | blue jeans and uniform pants | Workers | Moved to Mexico | 177 |
| Personnel Partners | Mishawaka | awning hardware | Workers | Moved to Mexico | 60 |
| Federal Mogul | Leiters Ford | lighting products | Workers | Moved to Mexico | 392 |
| Landis and Gyr Utilities Services | Lafayette | electricity meter | IUE | Moved to Mexico | 261 |
| Joyce Sportswear | Gary | ladies garments | Workers | NAFTA Imports | 70 |
| Meyers and Son | Madison | men's coveralls | Workers | Mexican Imports | 15 |
| Thomson Consumer Electronics | Indianapolis | plastic television cabinets | Workers | Moved to Mexico | 287 |
| Magne Tek | Huntington | electronic fluorescent ballast | Workers | Moved to Mexico | 40 |
| Square D /Groupe Schneider | Huntington | low voltage general purpose transformers | Company | Moved to Mexico | 15 |
| Medarville Garment Factory | Medarville | men's work clothing | Workers | Mexican Imports | 20 |
| International Wire Group | Rolling Prairie | insulated wire | I&T | Mexican Imports | 100 |
| Flexel | Covington | cellophane | UNITE | Mexican Imports | 350 |
| Magnetek | Huntington | recreational vehicle converters | Workers | Moved to Mexico | 251 |
| Tuscarora | Martinsville | form packaging | Company | Mexican Imports | 40 |

| | | | | | |
|---|--------------------|---|---------|--------------------|-----|
| Perfect Circle - Sealed Power Division | Rochester | cylinder liners (piston sleeves) | UAW | Mexican Imports | 116 |
| General Electric | Ft. Wayne | electric motors and transformers batter | IUE | Mexican Imports | 100 |
| Thomson Consumer Electronics | St. Bloomington | television assembly | IUEW | Mexican Imports | 150 |
| Emerson Electric | Logansport | electro- mechanical products, HVAC | Workers | Moved to Mexico | 200 |
| International Wire | Bremen | insulated wire | Company | NAFTA Imports | 69 |
| United Steering Systems | Grabill | urethane molded steering wheels | UPIU | Moved to Mexico | 300 |
| Abb Power T and D | Muncie | large power transformers | IUE | Moved to Canada | 433 |
| Marshall Electric | Rochester | ignition coils | Company | Mexican Imports | 42 |
| Federal Mogul | Mooresville | thinwall engine/power transmission | Company | Mexican Imports | 25 |
| Keyes Fibre | Hammond | rough molded paper products; carrytrays | UPW | Moved to Mexico | 20 |
| Berg Electronics Group | Franklin | radio frequency connectors | IUEW | Moved to Mexico | 34 |
| Raytheon Systems | Fort Wayne | out door units | UPIU | Moved to Mexico | 42 |

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|-----------------------------------|--------------|--|---------|------------------|-----|
| Detroit Steel Products | Morristown | leaf springs | Company | Moved to Mexico | 250 |
| Olin Brass Indianapolis | Indianapolis | brass, cooper, sheet, rod, tube and wire | USWA | Canadian Imports | 385 |
| Eaton | Winamac | automotive switches | UAW | Moved to Mexico | 378 |
| Siebe Appliance Controls | Kendallville | pressure switches & infinite switches | Company | Moved to Mexico | 240 |
| Flex-O-Lite | Elwood | safety cones, sewing of signs and flags | USWA | Moved to Mexico | 115 |
| Wirekraft Industries | Mishawakai | wire harnesses for washing machines | Company | Mexican Imports | 202 |
| Wirekraft Industries | Lakeville | wire harnesses for washing machines | Company | Mexican Imports | |
| Wirekraft Industries | South Bend | wire harnesses for washing machines | Company | Mexican Imports | |
| Oxford Automotive | Hamilton | leaf springs | Company | Moved to Canada | 130 |
| Rockwell Automation Power Systems | Mishawaka | cast iron sheaves | USWA | Moved to Mexico | 43 |
| Supreme Tooling | Fremont | blow molds and fixturing | Company | Moved to Canada | 20 |
| Foremost Mobile Drilling | Indianapolis | earth boring equipment | Workers | Moved to Canada | 67 |
| General Electric | Tall City | induction electrical motors | IUE | Moved to Mexico | 80 |
| Tenneco Automotive | Culver | catalytic converters & mufflers | Company | Moved to Canada | 703 |

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|------------------------|---------------|--|---------|-----------------|-----|
| Otis Elevator | Bloomington | elevator components & subsystems | IUE | Mexican Imports | 327 |
| Berne Apparel | Berne | work clothing & | Workers | Moved to Mexico | 58 |
| Thomson Consumer | Indianapolis | printed circuit boards | IBEW | Moved to Mexico | 115 |
| Grayson Enterprises | Eaton | plastic sterile sample | Workers | Moved to Canada | 6 |
| Dana - PEIC Technical | Kendallville | fuel rails | Company | Mexican Imports | 126 |
| Robertson Transformer | Rochester | electronic ballast | UAW | Mexican Imports | 55 |
| Abb Power T and D | Muncie | large power | IUE | Moved to Canada | 433 |
| Johnson Controls | Goshen | switches & Valves-Air, Heat, Refrigeration | Company | Moved to Mexico | 106 |
| Dana Engine Controls | Anderson | starters and alternators | UAW | Moved to Mexico | 135 |
| General Electric | Fort Wayne | D.C. motors and transformers | IUE | Moved to Mexico | 95 |
| Gateway Safety Systems | Michigan City | seatbelt assemblies | IBT | Moved to Mexico | 206 |
| Thompson Multi Media | Bloomington | televisions | IBEW | Moved to Mexico | 100 |
| Johnson Controls | Goshen | temperature and pressure controls | IBEW | Moved to Mexico | 55 |

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|--------------------------------------|-------------|--|---------|-----------------|-------|
| Colgate Palmolive | Clarksville | dishwashing liquids & powdered detergent | C:WA | Moved to Canada | 350 |
| Marshall Electronic | Rochester | output transformers | Company | Moved to Mexico | 90 |
| Imperial Wallcoverings | Hammond | wallpaper and borders | UIPIU | NAFTA Imports | 86 |
| Alphabet | Nappanee | wire harnesses | Company | Mexican Imports | 100 |
| United Technologies | Plymouth | wiring harnesses | Company | Mexican Imports | 214 |
| McGill Electric Switch Product Group | Valaparaíso | plastic injection-molded parts | I:AM | Moved to Mexico | 28 |
| Whirlpool | Evansville | refrigerators | I:UE | Moved to Mexico | 265 |
| A.O. Smith Electrical Products | Paoli | subfractional horsepower electric | Company | Moved to Mexico | 130 |
| Schumacher Electric | Rensselaer | transformer coils, solenoid coils | Company | Moved to Mexico | 126 |
| | | | | Total | 13184 |

ⁱ "NAFTA's Hidden Costs – Trade Agreement Results in Job Losses, Growing Inequality, and Wage Suppression for the United States," Robert E. Scott, Economic Policy Institute, April 2001, <http://www.epinet.org>

ⁱⁱ "National Employment, Hours, and Earnings," Bureau of Labor Statistics, <http://www.bls.gov>.

ⁱⁱⁱ "NAFTA'S Impact on the States--The Industries and States That Suffered the Most in the Agreement's First Seven Years," Robert E. Scott and Jana Shannon, Economic Policy Institute, April 2001, <http://www.epinet.org>.

^{iv} As of April, 2001, the Department of Labor had certified more than 328,798 U.S. workers as having lost their jobs directly due to NAFTA. See "A Sampling of NAFTA Related Job Loss... NAFTA Transitional Adjustment Assistance (NAFTA TAA)," web site of Public Citizen's Global Trade Watch, <http://www.tradewatch.org/taa97acs/KEYTAA.html>, which explains some of the reasons NAFTA-TAA numbers do not capture all NAFTA job losses. In addition, NAFTA-TAA does not reflect jobs that would have been created in the U.S. had our trade deficit not increased.

^v *State of Working America: 2000-01*, Lawrence Mishel, Jared Bernstein, and John Schmitt, 2001, p. 24

^{vi} *State of Working America: 2000-01*, Lawrence Mishel, Jared Bernstein, and John Schmitt, 2001, p. 169.

^{vii} "Gaining With Trade?" Dean Baker, Center for Economic and Policy Research, April 2001, <http://www.cepr.net>.

viii “The Emperor Has No Growth: Declining Economic Growth Rates in the Era of Globalization,” Mark Weisbrot, Robert Naiman, and Joyce Kim, Center for Economic and Policy Research, September 2000, <http://www.cepr.net>.

ix “The Impact of NAFTA on Wages and Incomes in Mexico,” Carlos Salas, La Red de Investigadores y Sindicalistas Para Estudios Laborales (RISEL), in “NAFTA at Seven: Its Impact on Workers in All Three Economic Policy Institute, April 2001, <http://www.epinet.org>.

x “False Promise: Canada in the Free Trade Era,” Bruce Campbell, Canadian Centre for Policy Alternatives, at Seven: Its Impact on Workers in All Three Nations,” Economic Policy Institute, April 2001, <http://www.epinet.org>.