

NAFTA's Impact on New Jersey

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

**New Reports Show 19,000 Jobs Lost in New Jersey;
766,000 Jobs Lost Nationwide**



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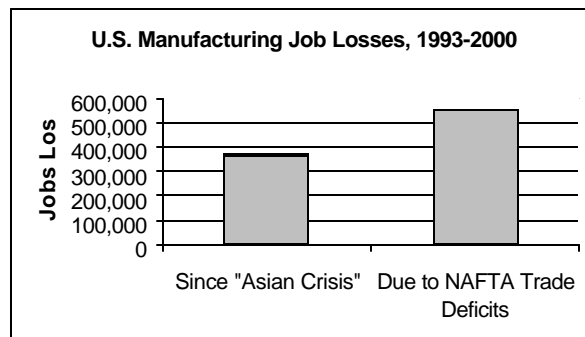
NAFTA's Impact on New Jersey: Job Loss Has Led to Downward Pressure on Wages and Living Standards

New Reports Show 19,000 Jobs Lost in New Jersey; 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 New Jersey 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 New Jersey 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 **more than 19,000 of NAFTA's lost jobs and job opportunities were in New Jersey**, with 12,700 direct job losses in manufacturing. The manufacturing job loss in New Jersey included 2,900 jobs lost in the production of electronic and electrical machinery.ⁱⁱⁱ By April 2001, the government's NAFTA - Transitional Adjustment Assistance program (NAFTA-TAA), which only counts some NAFTA job losses, had certified 8,309 workers in New Jersey 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 New Jersey 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.

**Table 2
New Jersey NAFTA-TAA Certifications as of
April, 2001**

Company	City	What They Produced	Petitioners	Cause	Estimated Workers
Wallace and Tiernan	Belville	hydraulic diaphragm pumps	Company	Moved to Mexico	550
Tri Tech Tool and Design	South Bound Brook	plastic adapter parts	Company	Moved to Mexico	25
Kimble Glass	Vineland	glass coffee pots	AFGW	Moved to Mexico	60
Ferraz	Parsippany	low and medium voltage fuses	Company	Moved to Mexico	21
Ciba-Geigy	Toms River	textiles dyes	OCAW	Moved to Mexico	70
Kalina Sportswear	Hammonton	ladies' jackets	ILGWU	NAFTA Imports	107

Alcatel Data Networks	Mt. Laurel	printed circuit boards	Workers	Moved to Mexico	120
Maidenform	Bayonne	bras, panties and foundations	Workers	Moved to Mexico	50
Parkway Fabricators	South Amboy	rubbergoods, survival & skin diving suit	Workers	Moved to Mexico	16
Schindler Elevator	Randolph	elevator guide rails	IBEW	Canadian Imports	14
Economy Color Card	Roselle	sample cards and books of wallpaper	UPIU	Mexican Imports	180
Colber (The)	Newark	fiberglass core wirewound resistors	Company	Moved to Mexico	47
National Starch and Chemical	Plainfield	hot melt adhesives	GCIU	Moved to Canada	87
Economy Color Card	Elizabeth	sample books of wallpaper fabrics	UPIU	Moved to Mexico	190
Toy Biz	Ramsey	vinyl stick-on toys	Workers	Moved to Mexico	40
RMP	Pernsauken	transmissions, water pumps, etc.	UAW	NAFTA Imports	105
RMP	Cinnaminson	transmissions, water pumps, etc.	UAW	NAFTA Imports	105
Allied Signal	Eatontown	generators, inverters	IUE	Moved to Mexico	230
American Home Products	Bound Brook	pharmaceutical	Company	Canadian Imports	28

i-Stat	Plainsboro	disposable medical cartridges	Company	Moved to Canada	64
Metex	Edison	wire mesh slag filters	Company	Mexican Imports	16
Kodak Polychrome Graphics	Clark	graphic arts film and chemical products	IUE	Moved to Mexico	178
Durotest Lighting	Clifton	lamps (incandescent and fluorescent bulbs)	IUE	Moved to Mexico	35
Keptel	Tinton Falls	trays, splitter modules & light guards	Company	Moved to Mexico	54
NACCO Materials Handling Group	Flemington	fork lifts and component parts	Company	Moved to Mexico	172
Gandalf	Cherry Hill	electronic computer equipment	Workers	Moved to Canada	148
Santa's Best	Millville	christmas novelty items	Company	Mexican Imports	15
Thomas and Betts	Garwood	drop & pole line CATV hardware	IBT	Moved to Mexico	69
Southern Container	Dayton	preprinted liner for corrugate container	UAW	Canadian Imports	17
Pillsburg Company (The)	Woodbridge	ice cream products	Company	Moved to Canada	300
Mitel	Mt. Laurel	technical computer services	Company	Moved to Mexico	58
Seco Products	South Plainfield	plastic lids and inserts	Company	Moved to Canada	94
H. Grabbell & Sons	Paterson	lamp shades	Workers	NAFTA Imports	70

Berendsen Fluid Power	Rahway	hydraulic power units	Company	Moved to Canada	16
Bonnell Manufacturing	Mt. Laurel	women's and girls dresses, gowns	UNITE	Canadian Imports	6
Lab Volt Systems	Farmingdale Wall Twp.	educational training systems	Company	Canadian Imports	26
Nextrom	Perth Amboy	wire drawing machines & spare parts	Workers	Moved to Canada	25
Algroup Wheaton	Millville	molded glass containers	GMPPAW	Mexican Imports	138
May Tag and Label	Hillside	printed labels & tags	Company	Moved to Mexico	110
Melnor	Moonachie	lawn and garden equipment	Company	Moved to Mexico	180
Alcatel USA	Mt. Laurel	printed circuit boards	Workers	Moved to Mexico	42
AMI DDC	Cedar Knolls	rivets	IBEW	Moved to Mexico	21
L.B. Russell Chemicals	Piscataway	photographic chemical solutions	Company	Moved to Canada	49
i-Stat	Plainsboro	disposable medical	Company	Moved to Canada	64
Crown Cork & Seal	Swedesboro	metal containers ie. baby formula can	IAM	Canadian Imports	47
Lipton	Flemington	dry food packaging	Workers	Moved to Canada	74
Mitec Wireless	Tinton Falls	wireless communication products	Company	Moved to Canada	30
Thomas & Betts	Elizabeth	electrical conduit fittings	IBEW	Moved to Canada	214
Sullivan Die Casting	Kenilworth	castings	Workers	Moved to Canada	69

American Home Products	Bound Brook	pharmaceutical	Company	Canadian Imports	28
Wheaton USA	Pennsville	mold glass decorations	Company	Mexican Imports	65
RMP	Pennsauken	transmissions, water	UAW	NAFTA Imports	105
RMP	Cinnaminson	transmissions, water	UAW	NAFTA Imports	105
Teledyne Industries	Pal sades Park	saftey relief valves	IAM	Moved to Canada	60
Universal Garment Finishing	Westampton	industrial textile bags	Company	Moved to Mexico	81
Anchor Hocking Packaging	Glassboro	metal closurses	GMP	Moved to Canada	327
Gentek Building Products	Woodbridge	vinyl siding	Company	Moved to Canada	79
APC	Houthorne	skylights	SMW	Moved to Canada	25
FlexFab Horizons International	Phi lipsburg	engineered pumps	USWA	Moved to Mexico	557
Central Products	Linden	carton sealing tape	Company	Canadian Imports	120
Val Mode Lingerie	Brigdeton	ladies sleepwear	Company	Moved to Mexico	150
Gist Brocades Food	East Brunswick	compressed yeast	Workers	Moved to Canada	100
Haywood Pool Products	Elizabeth	pool lights and plastic valves	Company	NAFTA Imports	450
American Standard	Hamilton	china plumbing products	Company	Moved to Mexico	250
Thompson Steel Pipe	various locations	propane tanks	USWA	NAFTA Imports	

Allied Signal	Eatontown	printed circuit boards	Workers	Moved to Canada	70
Anchor Glass	Cliffwood	glass bottles	GMPA	NAFTA Imports	300
Rhone-Poulenc	Newark	defoamers and textile chemicals	Workers	Moved to Canada	6
Smithkline Beecham	Clifton	emulsion	Company	Moved to Mexico	279
F.G. Montabert	Midland Park	woven textile labels	UFCW	Canadian Imports	48
U.S. JVC	Elmwood Park	television sets	Workers	Moved to Mexico	198
Flexitallic	Perinsauken	gaskets	Company	Mexican Imports	25
A.H. Schreiber	Cinnaminson	women's and girl's bathing suits	UNITE	NAFTA Imports	7
Rexam Medical Packaging	Mt. Holly	medical pouches	Workers	Moved to Mexico	135
USR Optonix	Hackettstown	toner bottles & cartridges	Company	Moved to Mexico	48
American Standard	Piscataway	sanitary wares: bowls, toilets etc.	GMP	Moved to Mexico	245
				Total	8309

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 the U.S. 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 Nations," 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, in "NAFTA at Seven: Its Impact on Workers in All Three Nations," Economic Policy Institute, April 2001,

<http://www.epinet.org>.