

The TPP: More Job Offshoring and Lower Wages

Fast Tracking the Trans-Pacific Partnership (TPP) would make it easier for corporations to offshore U.S. jobs and push down our wages by forcing Americans to compete with workers in Vietnam who make [less than 60 cents an hour](#) and in Malaysia, where [forced labor is widely used](#).

- The TPP expands on the incentives to offshore American jobs that were included in past job-killing pacts like NAFTA. The TPP's Investment Chapter provides special benefits to firms that offshore American jobs and eliminates many of the usual risks that make firms think twice about moving to low-wage countries, such as TPP member Vietnam.
- The TPP would [gut Buy American policies](#) that recycle U.S. tax dollars back into our economy to create U.S. jobs. The TPP would require us to waive Buy American procurement preferences so that any company operating in a TPP country, including all of the Chinese firms in Vietnam, would have to get equal access to U.S. government contracts. That means offshoring our tax dollars to create jobs abroad.
- Even the best labor rights provisions would not outweigh those terms. But the administration demanded for the TPP only the same failed terms President Bush used for his infamous U.S.-Colombia trade agreement.

Bottomline: The key elements of the TPP text that affect jobs and wages literally replicate and expand on the worst elements of past "free trade" agreements. And, those deals have destroyed millions of good American jobs and pushed down our wages over the last two decades. Nearly [5 million U.S. manufacturing jobs](#) – one out of every four – have been lost, and [more than 55,000 American manufacturing facilities have closed](#), since the implementation of NAFTA and NAFTA expansion deals:

- **The U.S. Department of Labor has certified millions of trade-related job losses.** [More than 2.7 million](#) specific U.S. workers have been certified under the Department of Labor's Trade Adjustment Assistance (TAA) program as losing their jobs to offshoring or imports since NAFTA and NAFTA expansion pacts have taken effect. This number significantly undercounts trade-related job loss as TAA only covers a subset of jobs lost to trade.
- **Under President Obama's 2012 Korea Free Trade Agreement (FTA), trade deficits have surged, gutting job creation promises.** In the first three years of the Korea FTA, which U.S. negotiators literally used as the U.S. template for the TPP, the U.S. goods trade deficit with Korea [has ballooned 90 percent](#), or \$13.6 billion. According to the trade-jobs [ratio](#) that the Obama administration used to promise job *gains* from the deal, this trade deficit surge with Korea implies the loss of more than 90,000 American jobs in the FTA's first three years. Sadly, that is not surprising because the agreement is based on the same old failed trade agreement model.
- **NAFTA: More than 700,000 American jobs lost.** In the first 21 years of the NAFTA, the U.S. goods trade deficit with Canada and Mexico has surged 565 percent, from \$27 billion to \$182 billion. The Economic Policy Institute (EPI) calculates that the ballooning trade deficit with Mexico alone [destroyed about 700,000 net U.S. jobs](#) between NAFTA's implementation and 2010.
- **China: More than 3 million American jobs lost.** Since China entered the World Trade Organization (WTO) in 2001, the U.S. goods trade deficit with China has grown from \$112 billion to \$350 billion. EPI estimates that this deficit surge has cost [3.2 million U.S. jobs](#), including 2.4 million manufacturing jobs.
- **Job offshoring is creeping up the income ladder.** Alan S. Blinder, a former Federal Reserve vice chairman, Princeton economics professor, and NAFTA-WTO supporter, says that [one out of every four American jobs could be offshored](#) in the foreseeable future. In fact, Blinder's analysis suggests that American workers [with a four-year college degree](#) and with annual salaries above \$75,000 are those most vulnerable to having their jobs offshored, meaning we could see our best remaining jobs move offshore.

The TPP: More Downward Pressure on Middle Class Wages

By expanding past trade agreements' legacy of middle-class job erosion, the TPP would also intensify downward pressure on middle-class wages:

- **The TPP would result in pay cuts for all but the richest 10 percent of U.S. workers.** Economists at the Center for Economic and Policy Research (CEPR) dug into the results of a study done by the pro-TPP Peterson Institute for International Economics that showed the TPP would result in tiny economic gains in 2025. To figure out what those findings would mean for the wages of most Americans, the economists applied the empirical evidence on how recent trade flows have contributed to growing U.S. income inequality. Even estimating that trade is responsible for just 15 percent of the recent rise in U.S. income inequality, they found that the TPP would mean wage losses for all but the richest 10 percent of U.S. workers. Their estimate was very conservative, because a study by the same pro-TPP think tank found that 39 percent of the past increase in income inequality could be attributed to trade!
- **Manufacturing workers displaced by unfair trade have taken significant pay cuts.** A recent National Bureau of Economic Research study concludes, "offshoring to low wage countries and imports [are] both associated with wage declines for US workers. We present evidence that globalization has led to the reallocation of workers away from high wage manufacturing jobs into other sectors and other occupations, with large declines in wages among workers who switch..." Indeed, according to the U.S. Bureau of Labor Statistics, about three out of every five displaced manufacturing workers who were rehired in 2014 experienced a *wage reduction*. One out of every three took a pay cut of greater than 20 percent. For the median manufacturing worker earning more than \$38,000 per year, this meant an annual loss of at least \$7,600.
- **Trade policy holds back wages even of jobs that can't be offshored.** As increasing numbers of workers displaced from manufacturing jobs have joined the glut of workers competing for non-offshorable, low-skill jobs in sectors such as hospitality and food service, real wages have also fallen in these sectors.
- **The bargaining power of American workers has been eroded by threats of offshoring.** By making it easier for U.S. firms to offshore production, FTAs have eroded unions' ability to bargain for workers' share of the economic gains generated by productivity increases. After passage of NAFTA, for example, as many as 62 percent of U.S. union drives faced employer threats to relocate abroad, and the factory shut-down rate following successful union certifications tripled.
- **Most workers lose more in wages under the current trade model than they gain in access to cheaper imported goods.** A CEPR study has found that U.S. workers without college degrees (61 percent of the workforce) have lost an amount equal to about 10 percent of their wages, even after accounting for the benefits of cheaper goods. That means a net loss of more than \$3,500 per year for a worker earning the median annual wage of \$35,540.
- **Jobs lost to imports tend to pay even higher wages than jobs supported by exports.** For example, EPI estimates that the average U.S. worker in an industry competing with imports from China earns \$1,022 per week, while the average worker in an industry that exports to China earns just \$873 per week. Even if U.S. FTAs created just as many jobs in export-supported industries as they displaced in import-competing industries, it would still be a net loss in wages for U.S. workers. Of course, the reality is even worse, as imports have increased much more than exports under existing FTAs, forcing displaced workers to find even lower-paying jobs in non-traded industries (e.g. restaurants, hotels, etc.), which EPI estimates pay just \$791 per week.