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International Trade and Jobs

The 118th Congress is engaged in a range of legislative and oversight activities related to trade. The impact of trade agreements on U.S. jobs has been a key, long-standing policy consideration for Members of Congress. There is broad consensus among economists that, in the aggregate, the economic benefits of trade, such as lower prices and a greater variety of goods and services, outweigh the costs. Because the gains from trade tend to be more widely dispersed than the losses, the benefits are often not readily apparent or well quantified. Affected stakeholders often point to offshoring, job losses, stagnant wages, and rising inequality among some groups as indicators of the costs of trade agreements. There is also broad consensus among economists that factors other than trade, such as the adoption of new technologies, affect jobs and wages, and that the impact of trade agreements can be difficult to disentangle from that of other factors.

The economic impact of trade agreements on jobs is widely debated among Members of Congress, academics, and civil society. Multiple government agencies produce estimates of the impact of trade on jobs to inform policymaking. Congress may weigh the relationship between international trade and employment in its trade policy and oversight decisions, particularly with respect to the agencies responsible for economic analysis of trade agreements and the programs that provide trade adjustment assistance for firms, workers, and farmers.

Estimating the Impact of Trade on Jobs

Economists and government agencies use economic models to estimate the impact of trade on the economy (see **text box**). Estimates from these models inform policymakers' evaluations of trade policy. Despite some limitations, models provide policymakers with estimated impacts on industries, including output, employment, and wages.

> **International Trade Theory and Models**
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> Trade models relate firms' supply of goods and services with domestic and foreign consumers' demand based on relationships derived from international trade theory. Models examine how a particular change in trade policy (e.g., the removal of a tariff) affects prices and ultimately supply and demand of goods and services. Trade theory generally assumes that firms adjust their hiring or wages due to these impacts. Estimates of the impact on jobs and wages from trade models are based on assumptions about how firms use labor and other inputs to produce goods and services.

Trade Agreements and Jobs

In evaluating potential new trade agreements, Congress has considered estimates of the agreement's potential impacts on U.S. jobs. The U.S. International Trade Commission (ITC) provides advice on trade negotiations and economic analysis of free trade agreements (FTAs). During trade negotiations, the ITC provides a report to the President and Congress mandated under Section 2104(f) of the Trade Act of 2002 (P.L. 107-210) that assesses the likely impact of a proposed FTA on the U.S. economy, including the impact on employment. For example, the ITC's 2019 assessment of the likely impact of the U.S.-Mexico-Canada Agreement (USMCA) estimated that USMCA would raise U.S. employment by 176,000 jobs and increase wages by 0.27% after USMCA is fully implemented and firms and workers have adjusted to the agreement. In a 2021 report required by the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (P.L. 114-26), the ITC estimated that trade agreements added 485,000 jobs to the U.S. economy between 1984 and 2017.

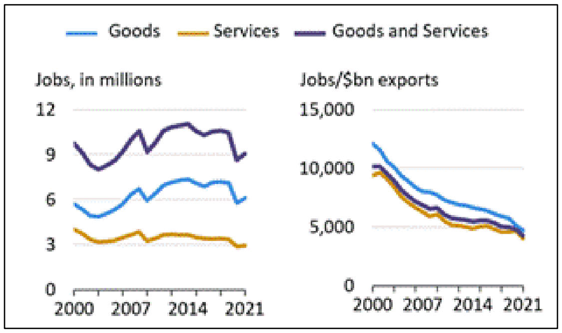
The Biden Administration has committed to pursuing a worker-centered trade policy that it states aims to protect workers, drive wage growth, and strive for improved economic outcomes for workers; it has not pursued major measures to open markets or initiated new FTA negotiations. Instead, the Administration has pursued trade initiatives, such as the Indo-Pacific Economic Framework for Prosperity (IPEF), that focus on specific trade-related issues. IPEF, for example, contains pillars dedicated to building resilient supply chains and fostering investments in clean energy. Quantifying the impact of these measures on trade flows, employment, and other economic outcomes may be more difficult than with past FTAs that have focused primarily on lowering tariff and nontariff barriers.

Jobs Supported by Exports

Broader measures of how many jobs in the U.S. economy are related to international trade may be a useful indicator of how trade agreements that are already implemented continue to support U.S. jobs. The Department of Commerce's International Trade Administration (ITA) estimates the average number of jobs that are supported—not created—by exports in the U.S. economy. The estimate considers the average relationships between the value of goods and services in the economy relative to the average number of jobs that are required to produce that output for each industry, the value of inputs used in their production, and the value of transportation and other marketing services required to bring goods and services to buyers.

As shown in the left side of **Figure 1**, the ITA estimated that in 2021 (latest data available), U.S. exports of goods and services supported 9.05 million jobs—6.1 million in the goods producing sector and 2.9 million in services. Among jobs in services sectors, exports supported the most jobs in professional and technical services, 1.4 million in 2021. These estimates represent an increase from 2020 but still fall below the estimates for 2019. In 2020, the first year of the COVID-19 pandemic, U.S. exports decreased significantly, so the number of U.S. jobs supported by exports also decreased.

Figure 1. Jobs Supported by Exports in Goods and Services, 2000-2021



Source: International Trade Administration.

The ITA also estimates the number of jobs supported by a billion dollars of exports of goods and services (right side of **Figure 1**). The number of U.S. jobs per billion dollars of exports has been steadily decreasing over the past two decades, arguably due to higher productivity and advancements in technology and automation that result in the need for fewer workers for every dollar of goods and services produced. The decline in jobs supported per billion dollars of exports became more pronounced during the pandemic, reflecting the decrease in total U.S. exports. This measure shows that a billion dollars of goods exports supports more jobs than a billion dollars of services exports.

The ITA's estimates capture the average number of jobs supported by exports across the economy at a particular point in time. Labor advocates and policymakers refer to data on U.S. jobs developed by the ITA to estimate the impact of changes in trade on jobs, at times not using the data as intended. The ITA has cautioned against using these estimates to assess changes in jobs associated with changes in trade (e.g., assessing the impact on employment associated with the implementation of an FTA that has an impact on trade flows). Although the ITA's estimates have limitations, these estimates provide a bird's eye view into how many U.S. workers are involved in the production of exported goods and services. This may be a useful indicator to consider the scope of potential workers affected positively or negatively by future agreements.

To date, the ITA has not developed an import-focused methodology due to the unique challenges in assessing the relationship between imports and employment compared with exports (see **text box**).

Challenges in Estimating Jobs Supported by Imports

The composition of U.S. imports is fundamentally different from that of U.S. exports. While some imports and exports represent clearly substitutable items, which may adversely affect U.S. jobs, other imports represent inputs to further processing or are items that either are not available or are not fully available in the domestic economy, all of which could be complementary to U.S. jobs. While some job losses associated with imports can be highly concentrated, imports also support a broad range of widely dispersed service-sector jobs, including transportation, sales, finance, marketing, insurance, and accounting. A methodology to calculate the number of jobs supported by imports would have to take these factors into account.

Issues for Congress

Congress could consider legislating or conducting oversight in a number of areas related to the agencies conducting economic analysis of the impact of trade on jobs and the programs designed to aid firms and workers affected by import competition. Congress could consider evaluating the current state of data and analysis on trade and employment to determine how best to improve that data, assess how it can be used to provide more informed estimates on the long-run impact of trade on employment, consider the need for programs to address these potential outcomes, and evaluate how to weigh the impact of jobs against other economic impacts of trade, such as prices. Potential legislative options Congress could consider include the following:

- Requiring the President to develop methods of evaluating the employment effects of limited trade agreements (e.g., IPEF or trade protocols with Brazil and Ecuador), particularly in comparison to FTAs such as USMCA, and report these findings to Congress.
- Directing the ITC to conduct detailed, sector-specific analyses after the implementation of a trade agreement or initiative, such as the ITC's study on the economic impact of the automotive rules of origin in USMCA.
- Directing the ITA to develop a methodology for assessing jobs supported by imports, thus filling a gap in available trade data and helping to inform debates about the interaction between trade and employment.
- Considering whether or not to fund worker retraining programs, and how such programs might be structured. For example, Trade Adjustment Assistance (TAA), which expired in 2022, was a program designed to help trade-affected workers adjust to job loss resulting from increased foreign competition. Some Members of Congress have expressed interest in reinstating TAA. The Biden administration also has expressed interest in seeing TAA reauthorized. Studies of TAA have found that while enrolled workers had access to training and reemployment services, the program may not have been effective at increasing incomes or employment.

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