OFFSHORING THE MISSOURI ECONOMY: FREE TRADE JOB LOSSES AND THEIR IMPACT ON MISSOURI WORKERS

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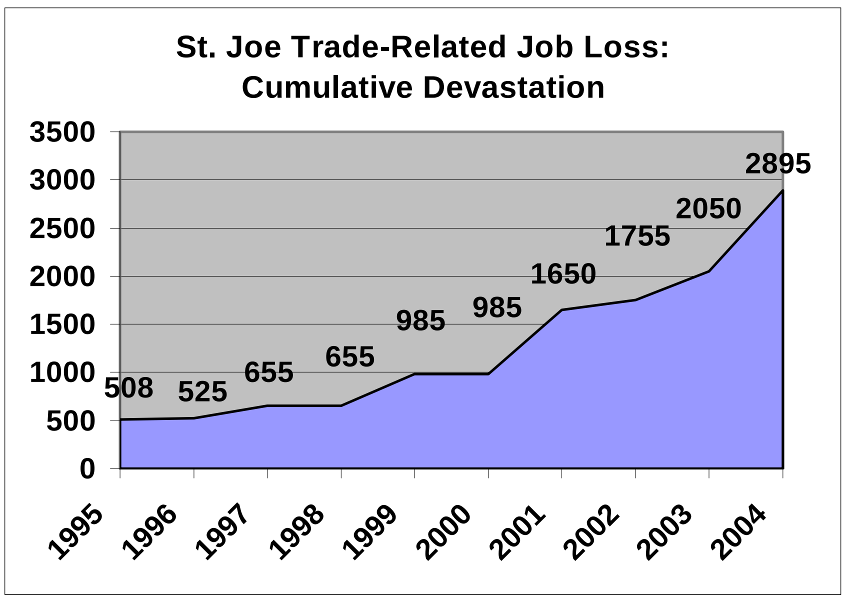
In 1993 when the United States signed the North American Free Trade Agreement, St. Joseph, Missouri was a mid-size Midwestern town with a strong industrial base and good middle-class jobs. Today, after more than a decade of so-called free trade under NAFTA and the World Trade Organization (WTO), jobs have left, wages and workers' bargaining power are depressed, and the city is held hostage by companies who first demand tax breaks to stay and then leave anyway.

Over the past ten years, corporations looked to boost profits by moving to low wage countries like Mexico where they can hire workers for $4.00 a day, or to China, where they can pay even less. One such company - Lakeland Industries - has been moving jobs to China, including between 50 and 95 from St. Joseph. The company makes protective and fireproof clothing. Lakeland's customers are federal, state and local governments, and, ironically, the Department of Homeland Security. Profits were up 20% last year, and CEO Christopher Ryan bragged to stockholders that the profit margin increased because the company had lowered its labor costs.

Two products which used to produced in St. Joe were American icons: Big Chief Tablets and Stetson Hats. Now the city has a new symbol: the empty factory, a depressing reminder of what happens when political leaders pass trade policies which assume that what's good for multinational corporations is also good for communities and working people.



St. Joseph's losses are but one shocking example of the mounting toll of job flight across the State of Missouri in the last decade. To find out how many jobs have been lost to trade in Missouri is not easy. We must rely on the certifications for Trade Adjustment Assistance done by the U.S. Department of Labor's Employment and Training Administration which investigates firms that are laying off workers because of "increased imports from, or outsourced production to" countries with which we have free trade agreements. When a firm is certified, the displaced workers are eligible for Trade Adjustment Assistance as they transition to another job or a life of un- or underemployment. The graph above shows the cumulative toll over ten years for St. Joseph. [1] See page 4 for Missouri's toll.

These figures are, however, just the tip of the iceberg on trade-related job loss. Following is a list of whose jobs they miss.

- **Jobs in service industries** like call centers, software development, and billing which have been increasingly outsourced under the General Agreement on Trade in Services (GATS) to India. Aegis shut down its Call Center in St. Joe and moved abroad, but it was not certified because they provide a service. *We have, however, included it in the graph for St. Joseph*.[2]

- **Indirect manufacturing workers**: Until November 2002 when the law was changed, manufacturing workers who did not suffer direct trade-related job loss, like parts producers who supplied a company that shut down, were not eligible. Even with improvements, only an extremely limited number of secondary workers gained coverage, and farmers and fisherman who lose jobs to increased imports were included. However, it's still easier for workers to qualify who lose jobs to Mexico than to China.

- Even in manufacturing plants where line workers are eligible for benefits, **broad categories of non-production employees** (such as those who run computer systems, transport or box the finished goods, work in the cafeteria, mop the floors, etc.) aren't counted and have no benefits.

- **Other secondary businesses** which were hurt by plant shut downs or downsizing like an accountant or a nearby restaurant also would not qualify.

- There are also a number of workers (especially unorganized workers) whose companies **disguised trade-related job loss as moves someplace else in the U.S., or their workers didn't apply** or **did not know** about the program, so they were never counted.[3]

So the following list is probably an underestimation of St. Joseph's job losses to trade. We have included two recent non-TAA shutdowns at the end which either haven't yet been certified or were denied because they were a service industry.

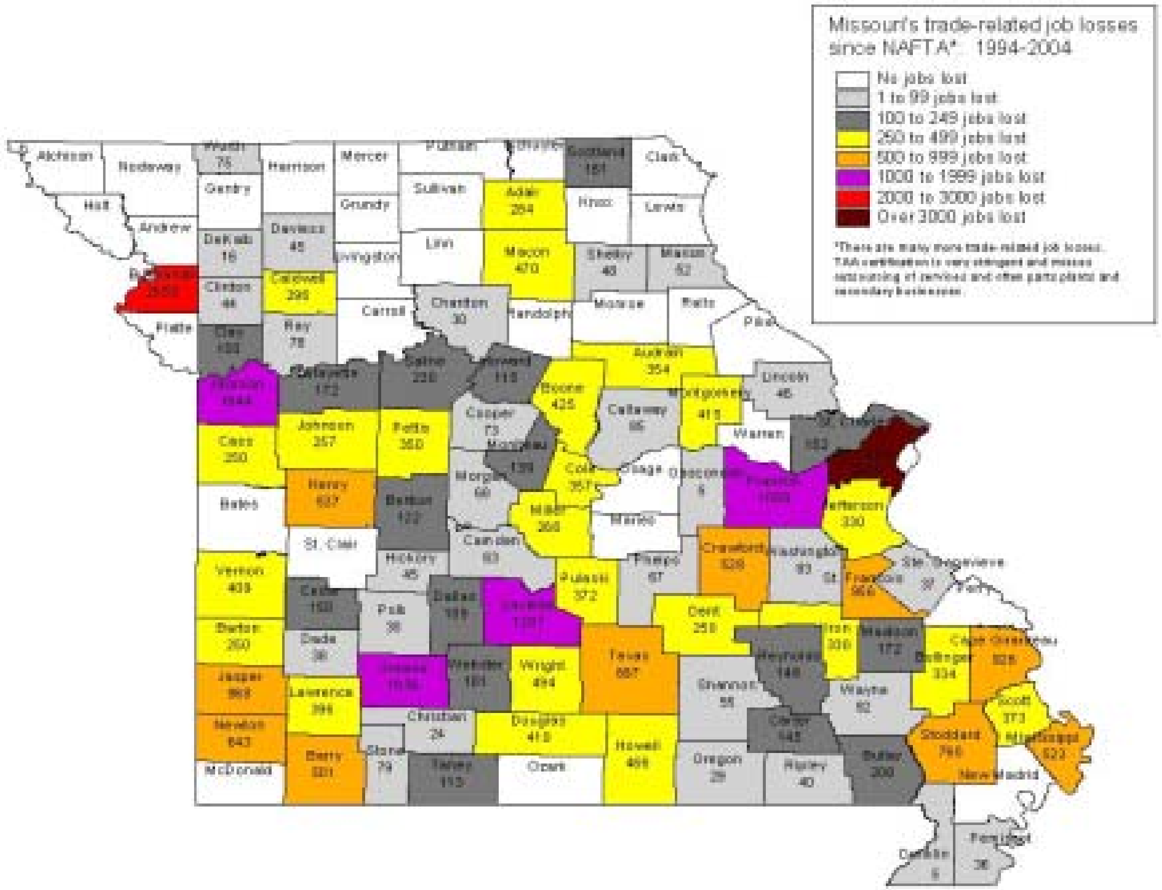
St. Joseph Companies on TAA List

Company	Product	Number	Reason	Date
Swift Adhesives, Inc	Industrial adhesives	29	None given	3/10/95
Lee Apparel Co	Denim Jeans	479	None given but moved to Mexico	12/4/95
Daniels McCray Lumber Company	Window sashes	7	Increased company imports from Mexico	6/26/96
Custom Wood Products	Wood Sash Windows	10	None given	7/30/96
Mead Corp	School and Office Supplies	130	None given but shifted production to Mexico	4/28/97
Mead Corp	School Notebooks, Binders & Planners	200	None given but shifted production to Mexico	9/15/99
Mead Corporation	Binders, notebook cases	130	Shift in production to Mexico	9/15/99
Quaker Oats Company	Hot cereal, ready-to-eat cereal	415	Shift in production to Canada	8/21/01
Quaker Oats Co.	Hot Cereals	250	None - shifted production to Canada	10/17/01
Prime Tanning Corp	Wet Blue Leather	60	Shift in production to Mexico	1/15/02
Prime Tanning Corp	Wet Blue Leather	45	None given	3/25/02
Mead Westvaco	Tablets, spiral books, file folders	100	Increased customer imports	5/16/03
Nestle Purina Pet Food	Dog/cat dry & canned food	195	Increased customer imports	8/22/03
RHE Hatco, Inc.-Stetson	Increased company imports	115	Increased company imports	6/14/04
Lakeland Industries	Protective clothing	94	Shift in production to China	6/30/04
Aegis Communications G	Call Center	236	Denied-service not covered	4/22/04
MeadWestvaco	Binders, notebooks	400	Closing announced 8/04 Increased imports from China	10/1/04
Total direct trade-related job loss		**2895**		

St. Joe's job losses to trade are remarkably severe. **Only St. Louis, a city 13 times bigger has lost more jobs**. Buchanan County had the second largest job losses in the entire state.

Missouri's Job Losses to Trade by County and Industry

Communities all across Missouri have suffered from job losses.[4]

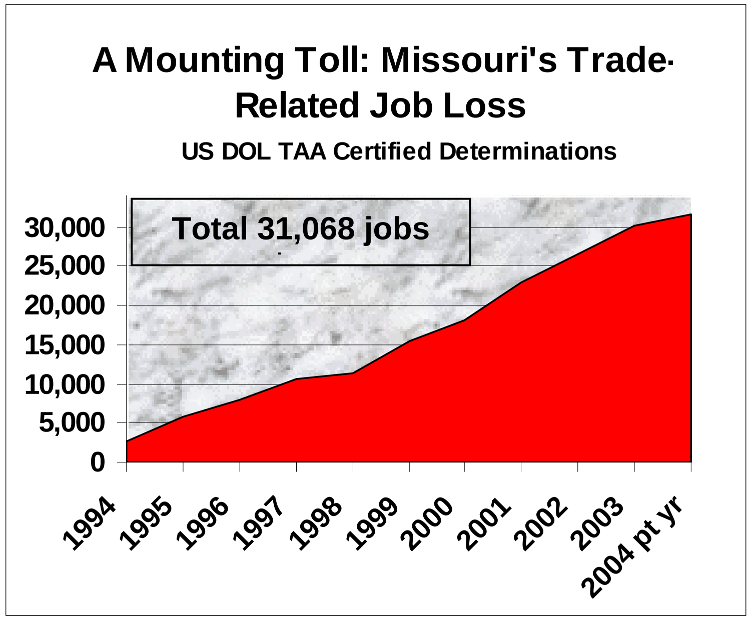


Rank	County	Jobs lost	# TAA Certifica-tions
1	St. Louis	3276	45
2	Buchanan	2659	16
3	Jackson	1844	9
4	Greene	1636	13
5	Laclede	1287	5
6	Franklin	1050	12
7	Jasper	968	15
8	St. Francois	956	5
9	Cape Girardeau	926	8
10	Texas	897	5

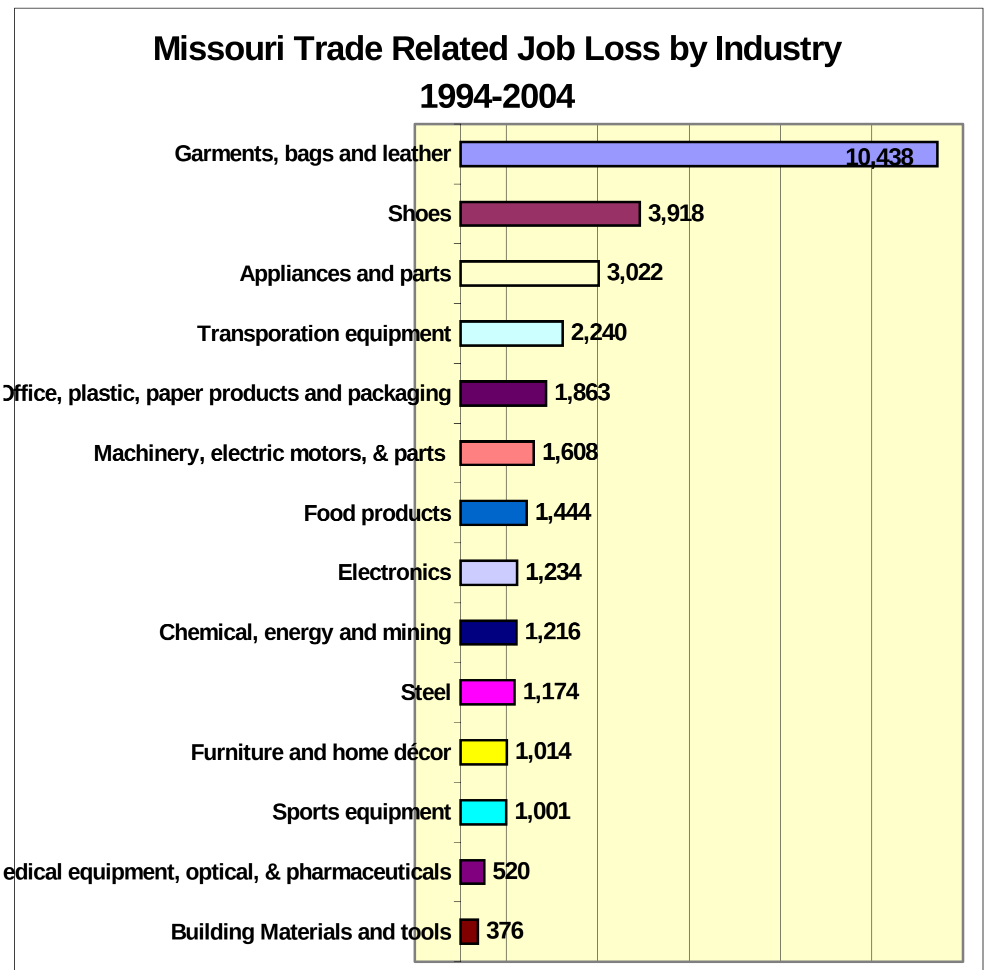
Rank	County	Jobs lost	# TAA Certifica-tions
11	Stoddard	760	6
12	Newton	643	4
13	Henry	537	2
14	Scott	610	7
15	Crawford	528	9
16	Mississippi	523	5
17	Barry	501	4
18	Wright	494	9
19	Macon	470	1
20	Howell	466	4

Because it is a significant manufacturing state, Missouri has been hit hard by global outsourcing under NAFTA and the WTO. **Overall Missouri has lost 31,068 jobs to trade that are TAA certified out of an estimated 1,114,775 nationwide from 1994 to 2002.**

As can be seen from the graph below, **virtually every branch of manufacturing in Missouri has been hit with job loss**. Our garment and shoe industries were wiped out as companies left for Central America, China and elsewhere where sweatshop Industries are growing and where corporations need not respect the rights of the workers nor environmental rights of their communities.



Zenith abandoned Springfield Missouri between the late 1980s and 1994 to set up shop along the Mexican border. In Reynosa, just across from McAllen Texas, **workers earned less than one-tenth of what the Springfield workers made**. Today they work for LG Electronics, a Korean company which bought Zenith. LG thinks they make too much and is firing older workers to hire teenagers and out-sourcing parts jobs to China.



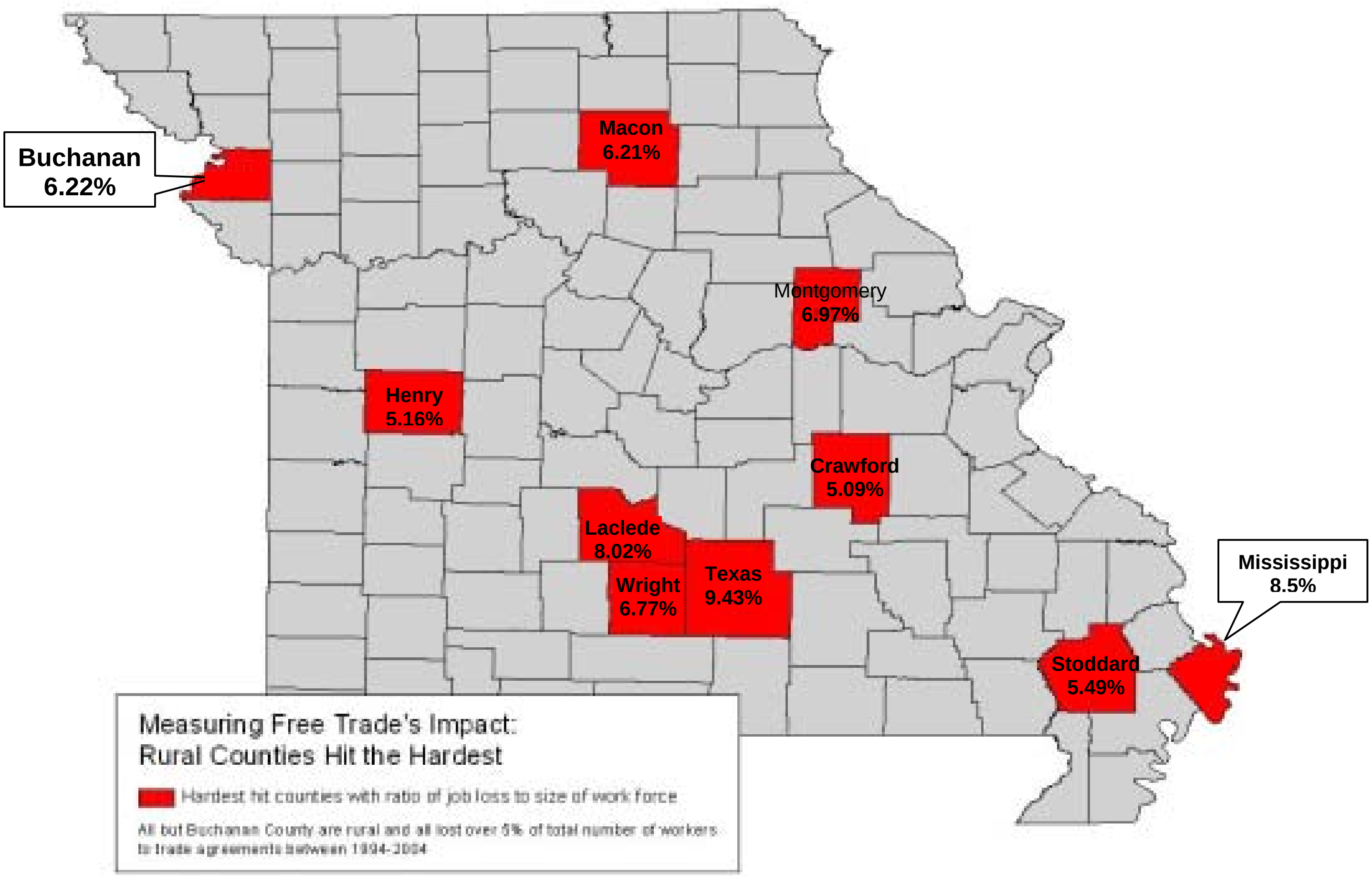
When the workers protested dangerous conditions and job loss, even their union worked with LG and the government to threaten them with **thugs and police.**

The Mexican LG workers are facing today what Missourians have faced for twenty years. **They are both in the same global race to the bottom and both understand that while free trade sets the corporations free, the workers are paying a heavy price.**

Assessing the Urban/Rural Impact

Rank	County	Jobs lost	# TAA Certifi-cations	BLS Average Workforce 1994-2003	Ratio of Job Loss to Size of Work-force
1	Texas	897	5	9,512	9.43%
2	Mississippi	523	5	6,150	8.50%
3	Laclede	1287	5	16,052	8.02%
4	Montgomery	415	3	5,951	6.97%
5	Wright	494	9	7,294	6.77%
6	Buchanan	2659	16	42,744	6.22%
7	Macon	470	1	7,569	6.21%
8	Stoddard	760	6	13,850	5.49%
9	Henry	537	2	10,401	5.16%
10	Crawford	528	9	10,370	5.09%

The **loss of Missouri's shoe and garment industries has particularly impacted smaller towns** which are the least able to absorb the blow of a plant shut-down. (See map below). For example, the 10,438 lost garment jobs occurred in 118 different TAA certified layoffs at fifty-one different companies scattered across rural Missouri. Paramount Headwear, a hat manufacturer did away with 1,650 jobs in thirteen



counties, and Brown Shoe removed 988 jobs from nine counties. In both cases, they were all from small towns where the loss of a hundred jobs is devastating. When you rank the jobs lost in comparison to the size of the workforce by county, you find that there are ten Missouri counties which have a cumulative job loss equivalent to 5-10% of their average yearly workforce.

Buchanan County where St. Joseph is located is the only urban county on this list, another indication of the impact of St. Joe's extraordinary loss of jobs to trade.

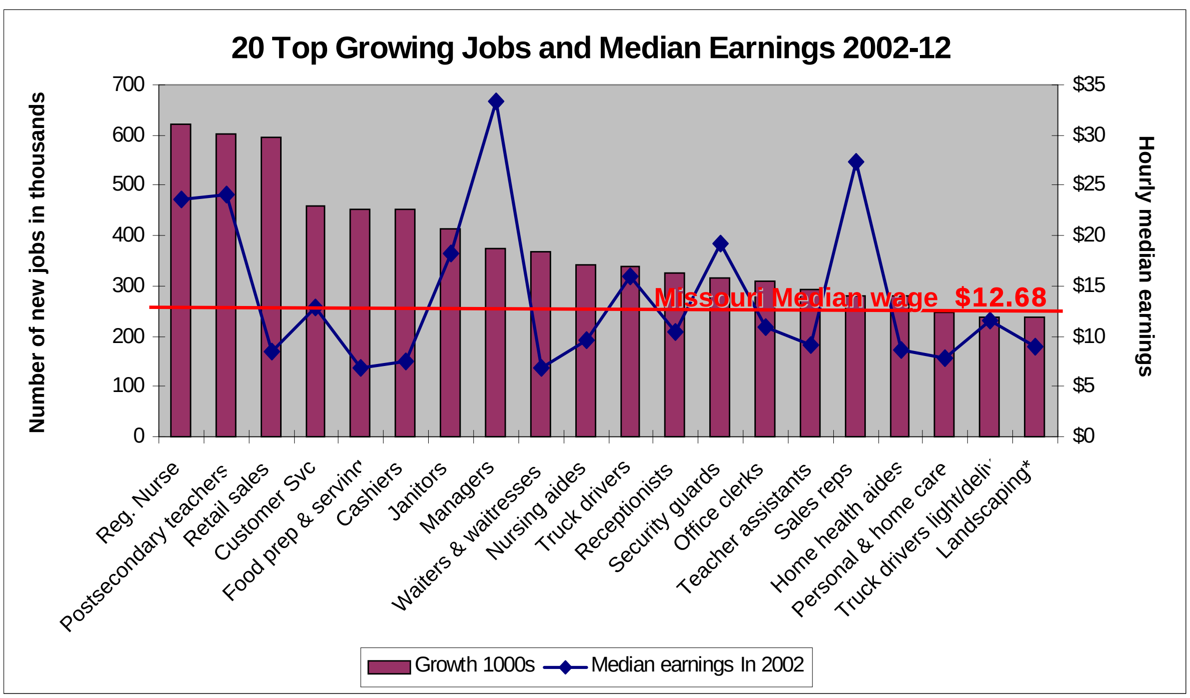
Assessing the Impact on People

There is mounting evidence that trade-related job loss is affecting the standard of living of Missouri's working families. Those who still have jobs live under a constant threat that their jobs will be offshored. This significantly undercuts their ability to hold onto or improve wages and benefits by bargaining and organizing.[5]

Hardly anyone wants to study what happens to those who have lost jobs, and there is no overall information on Missouri's displaced. One national government study found that of those who received some kind of TAA benefits in 1999, **75% found jobs, but only 56% of those workers earned 80% or more of their previous income before layoff**.[6]

Another study in 2001 found that **"two-thirds of trade-dislocated workers earn less when they find a new job than they did on their old job**. One quarter of these workers experience earnings losses in excess of 30 percent." The report concluded that, "vulnerable workers experience considerable difficulty regaining employment, and suffer large and persistent earnings losses upon reemployment."[7] A 1999 study of Zenith workers in Springfield five years after the final shutdown found that on average the workers took a 10.2% pay cut and substantial benefits cuts with **older, less educated workers taking the deepest cuts**. Also, they suffered from high job turnover. Sadly, the study found that the wages, benefits, and job tenure of the workers who attended retraining were no better than those who didn't.[8]

One of the reasons for loss of earnings and failure of retraining to pay off is the **lack of good replacement jobs.** The manufacturing jobs we've lost in Missouri paid better than average, had better benefits, and often had union representation. The new jobs don't. **Of the 20 fastest growing jobs in the U.S. , 2002-2012** (see chart below)**, 13 of them - or 65% - pay less than the median wage for Missouri**.[9]



The loss of good manufacturing jobs (often union-represented) because of our trade agreements has contributed to a general decline in the standard of living of Missourians. It's estimated that just since 2000, Missouri has lost 39,000

manufacturing jobs.[10] **With trade-related manufacturing job loss during the same period at about 12,000 jobs, then 33% of total manufacturing job losses were trade-related. Although the recession supposedly ended in 2002, it has been a jobless recovery, partly because jobs lost to trade generally don't come back** and are part of a fundamental restructuring of work in America.

The results are evident in persistently high unemployment rates and declining wages as demonstrated in the following tables:

Missouri: Income and Poverty[11]

(In 2003 inflation-adjusted dollars)

	2000	2003	Change
Average household income*	**$52,334**	**$51,324**	**-$1,010**
Average family income*	**$61,090**	**$60,011**	**-$1,079**
Individuals below poverty (in previous 12 months)	**11.2%**	**11.7%**	**40,494**

Missouri: Employment & Unemployment[12]

(March 2001-July 2004 is the period since the recession began)

Job growth 3/2001-7/2004	Working Age Population growth	Job Shortfall
-2.2%	**3.5%**	**-1,570**

Unemployment rate 3/2001	Unemployment rate 7/2004	Increase
4.3%	**5.5%**	**1.2%**

Missouri: New Jobs Pay Less[13] (November, 2003)

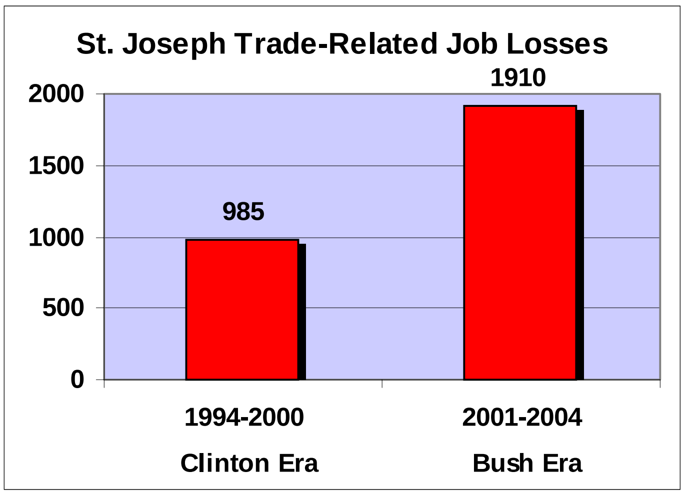
Wages in Contracting Industries	Wages in Growing Industries	Difference
$40,223	**$30,059**	**-25%**

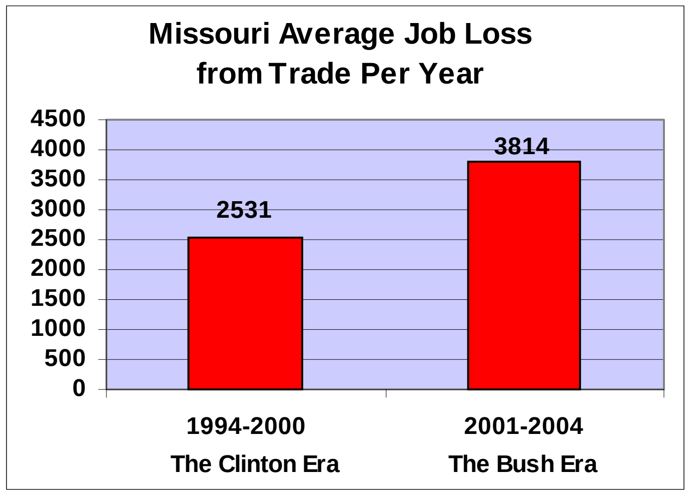
The solution is political

Missouri didn't lose over 30,000 jobs to trade just because corporations suddenly got greedier or footloose. **It lost them because government policies gave incentives to move jobs.** Our trade agreements grant corporations the right to sell products in the U.S. at high prices while making them abroad at low cost. Even worse, current and proposed trade agreements (NAFTA, the WTO, GATS [services -- guarantying that service jobs will go the way of manufacturing jobs], the Free Trade Area of the Americas, and the Central America Free Trade Agreement [CAFTA] all contain protections for corporations which make it as safe to invest and do business abroad as it is right here in Missouri. Our free trade agreements encourage employers to abandon the U.S. through many complex protections for investment abroad and selective deregulation of imports. For example intellectual property rights sections of trade agreements force poor countries to buy drugs at US prices and allow corporations to patent their native peoples' medicinal plants and crops and force them to pay high prices. Investor rights guarantees in NAFTA protect foreign corporations from loss of profits because of local economic development policies or environmental laws. All trade agreements refuse to insist that core labor rights of workers be respected or that products of sweatshops not be given entry into the U.S. market. All of them have the potential to overrule what's called non-tariff barriers to trade like prohibitions on importing goods harvested by killing mammals or produced by child labor. **All of our recent trade agreements take the risk out of doing business abroad and facilitate low-cost, regulation-free production abroad and import to the U.S. market. The sum total is that trade and investment agreements give multinational corporations the world and require virtually nothing in exchange in responsible behavior toward workers and communities.**

Without a change in the politics of "free trade." Missouri and the rest of the US will be on an accelerating course backward to conditions not seen in this country since the 1880s. Ciudad Juarez in Mexico has been called the "laboratory of the future." A trip there will show the future that free trading politicians and corporations have in mind for us. It is a future of shantytowns with no infrastructure, massive poverty, dead-end or no education, no social safety net, and skyrocketing crime rates.

Americans were told when NAFTA was adopted that there might be some pain of job loss, but that it would be temporary. The truth is that for the State of Missouri, and especially for St. Joseph, the job losses are escalating. In St. Joe, the absolute numbers of job losses have more than doubled if you compare the seven years of the Clinton administration since NAFTA to the three and one-half years of Bush. For the entire state of Missouri, the rate of job loss has escalated by 50% in the latter period.





Missouri's Champion Job Destroyers

22 Companies Account for Over Half of Missouri's Trade-Related Job Loss

Company	# Jobs Lost	Reason Given	County
VF and Lee Jeanswear (jeans, pants)	2507	Imports from Mexico [their own]	Greene, Laclede, Pulaski, Texas, Webster, Buchanan
Paramount Headwear (hats)	1650	Imports from & moved to Mexico	Shannon, Carter, Dent, Stoddard, Crawford, Reynolds, Bollinger, Dade, Franklin, Gasconade, Pulaski, Wright
Brown Shoe (shoes and shoe components)	988	Increased imports from Canada	Crawford, Madison, Mississippi, Scott, St. Louis, Texas, Pemiscot, Wayne, Wright
Mead (school, office supplies)	960	Imports [China], moved to Mexico	Buchanan
GST (steel wire rod)	812	Increased imports Canada & Mexico	Jackson

Holmes (Crockpot)	797	Imports	Henry, Jackson, Saline
Huffy Bicycle (bikes)	736	Moved to Mexico	St. Francois
Dunnbrooke Industries (jackets)	699	Imports	Wayne, Morgan, Lafayette, Cedar, Jackson
Quaker Oats Company (cereall)	665	Moved to Canada	Buchanan
Hagale Industries, Inc (pants, slacks, shorts)	604	None given	Dent, Douglas, Webster, Cedar, Christian, Greene, Stone, Taney
Tri-Con (auto trim, seat covers)	570	Moved to Mexico	Cape Girardeau, Boone
Toastmaster, Inc. (appliance)	513	None given	Macon, Cooper
Sunbeam (outdoor grills)	540	Imports	Newton
Justin Boot (western boots)	511	Increased imports from Mexico	Barry, Jasper
Angelica Image Apparel & Uniform (hospital uniforms, drapes, shirts)	465	Imports and moved to Mexico	St. Louis, Texas, Wright, Madison
Doe Run Company (mining and refining lead, zinc concentrate)	454	Imports and moved to Mexico	Iron, Jefferson
StrideRite (children's shoes, sandals)	445	Moved to Mexico, imports	Caldwell, Moniteau, Callaway
General Mills, Inc. (cookie dough, bread, rolls)	439	Imports	St. Louis
Zenith Electronics Corp (TVs, cabinets)	430	Moved to Mexico	Greene
Florsheim (dress and work shoes)	400	None given	Cape Girardeau
Total	15,185		

Endnotes

[1] Source for certification data: www.doleta.gov/tradeact/determinations.cfm and Public Citizen Global Trade Watch: www.citizen.org/trade/nafta/ supplemented by Missouri WARN notices. Since until November, 2002 many workers applied for both NAFTA TAA and general TAA and were certified under both programs, a detailed combing of the records is necessary to eliminate the duplicates. Even with that, there is probably an overestimation of the numbers because not all eligible workers at a company affected by trade-related job loss are necessarily laid off.
[2] Other examples of outsourcing of service jobs which don't show up on the TAA lists are: American Airlines - 750 call center jobs from St. Louis in January, 2003, Sprint, Gateway, and AT&T. According to Jesse Lacey, Secretary Treasurer of CWA Local 6450, AT&T indirectly outsourced overseas about 1200 jobs from 2000-2004. They have done so mainly by attrition and layoffs for "domestic" reasons.
[3] An example of disguised offshoring is Hussman Refrigeration in St. Louis which has lost about 875 jobs since 12/00 which the St. Louis Post Dispatch attributes to "downturns in the economy and shifting of some work to Mexico." (7/1/04). There are no TAA certifications for Hussman.
[4] Thanks to UMKC Center for Economic Information for the maps.
[5] In July, 2004, the Steelworkers Union at Hussman Refrigeration in St. Louis was summoned to early negotiations on their labor contract and told that if they approved a new contract with significant concessions on health care, two new model lines would be added. If they rejected the contract those

lines would go to Mexico. The union took the contract and members are now paying 20% of their health care costs. (St. Louis Post Dispatch, 7/1/04). As for organizing, a well-known national study concluded that just as the threat of outsourcing limits unions' bargaining power, it also discourages workers from organizing unions. ". . .the recent acceleration in capital mobility has had a devastating impact on the extent and nature of union organizing campaigns. Where employers can credibly threaten to shut down and/or move their operations in response to union activity, they do so in large numbers. Overall, more than half of all employers made threats to close all or part of the plant during the organizing drive. The threat rate is significantly higher, 68 percent, in mobile industries such as manufacturing, communication, and wholesale/distribution, compared to a 36 percent threat rate in relatively immobile industries such as construction, health care, education, retail, and other services." Kate Bronfenbrenner, Uneasy Terrain: The Impact of Capital Mobility on Workers, Wages, and Union Organizing, Report submitted to the U.S. Trade Deficit Review Commission (9/6/00)

[6] Government Accounting Office. Trade Adjustment Assistance: Trends, Outcomes, and Management Issues in Dislocated Worker Programs (October, 2000), found at www.gao.gov/new.items/d0159.pdf

[7] Lori G. Kletzer, Job Loss from Imports: Measuring the Costs. Institute for International Economics (2001), found at http://www.iie.com/publications/newsreleases/kletzer.htm

[8] Tim Knapp and John Harms, "When the Screen Goes Blank: A Television Plant Closing and Its Impacts on Workers" The Sociological Quarterly vol 23 #4 (2002).

[9] U.S. Department of Labor Bureau of Labor Statistics.

[10] U.S. Bureau of Labor Statistics. According to the US Bureau of Census Missouri manufacturing civilian employment has declined from 13.86% in 2000 to 12.81% in 2004.

[11] U.S. Bureau of Census.

[12] Economic Policy Institute

[13] Ibid.