

Job Losses in the United States

According to a study by Dr. Brink Lindsey of the Cato Institute, there are three major factors causing temporary and cyclical job losses in the United States (US), namely economic recession, technological improvement and productivity gains, as well as outsourcing of jobs overseas.

Economic recession

2. Economic recession is the major cause for unemployment. Between July 2000 and October 2003, employment in the manufacturing sector fell from 17.32 million to 14.56 million, i.e. a 16% decline. The main cause was the worsening domestic market for manufacturers as well as softening overseas markets during the recent recession. The period saw a substantial drop in business investment in the US. Between the fourth quarter of 2000 and the third quarter of 2002, total fixed non-residential investment fell by 14%. From 2000 to 2003, manufacturing exports fell by 9.6%.

Technological improvement and productivity gains

3. Between 1980 and 2003, US manufacturing output climbed 93%. Yet, the manufacturing's share of gross domestic product has been gradually declining over time, from 27.0% in 1960 to 13.9% in 2002. The percentage of US workers employed in manufacturing has likewise been falling, from 28.4% to 11.7% over the same period. The primary cause of these trends is the superior productivity of US manufacturers.

Outsourcing of Jobs

4. US multinational corporations moved jobs to wherever wages were lowest and regulations most lax. Manufacturing jobs are fleeing to Mainland China, while service-sector jobs are being offshored to India. Taking the information technology (IT) sector as an example, according to a survey, 12 percent of IT companies in the US have outsourced some operations to foreign countries. As for future trends, it is predicted that 3.3 million white-collar jobs, including 1.7 million back-office positions and 473,000 IT jobs, will move overseas between 2000 and 2015. Employment in IT-related occupations has experienced a significant decline recently. In 2002, the total of IT-related jobs stood at 5.95 million, down from the 2000 peak of 6.47 million. It should be noted, however, that while some of these jobs were lost because of offshoring, the major culprits were slowdown in demand for IT services after the Y2K buildup, followed by the dot-com collapse and the economic recession.

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Source: "Job Losses and Trade – A Reality Check" by Brink Lindsey (17 March 2004)
<http://www.freetrade.org/pubs/briefs/tdp-019es.html>