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Nowhere to Go:
Geographic and Occupational Immobility and Free Trade

Fair trade holds the promise of economic gains for the United States and our trading partners alike, but these gains do not come without a cost. Older workers and those without a college education are more vulnerable to the job losses that result from free trade – and these are precisely the same groups that face the most difficulties getting back on their feet in the current economy. While young people and college-educated workers may have the freedom and resources to move across the country in search of better opportunities, older Americans and those with less education often lack this mobility. The poor state of the housing market further constrains mobility, especially for those struggling to pay off their existing mortgages. Moreover, jobs are hard to come by for individuals without a college degree, and opportunities are likely to remain scarce in the years ahead, since most of the jobs expected to be created are in sectors that require education beyond high school. These effects combine to extend and exacerbate the stress on families and communities negatively impacted by free trade.

REPORT BY
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Job Mobility is Lowest for the Groups Hit Hardest by Trade Liberalization

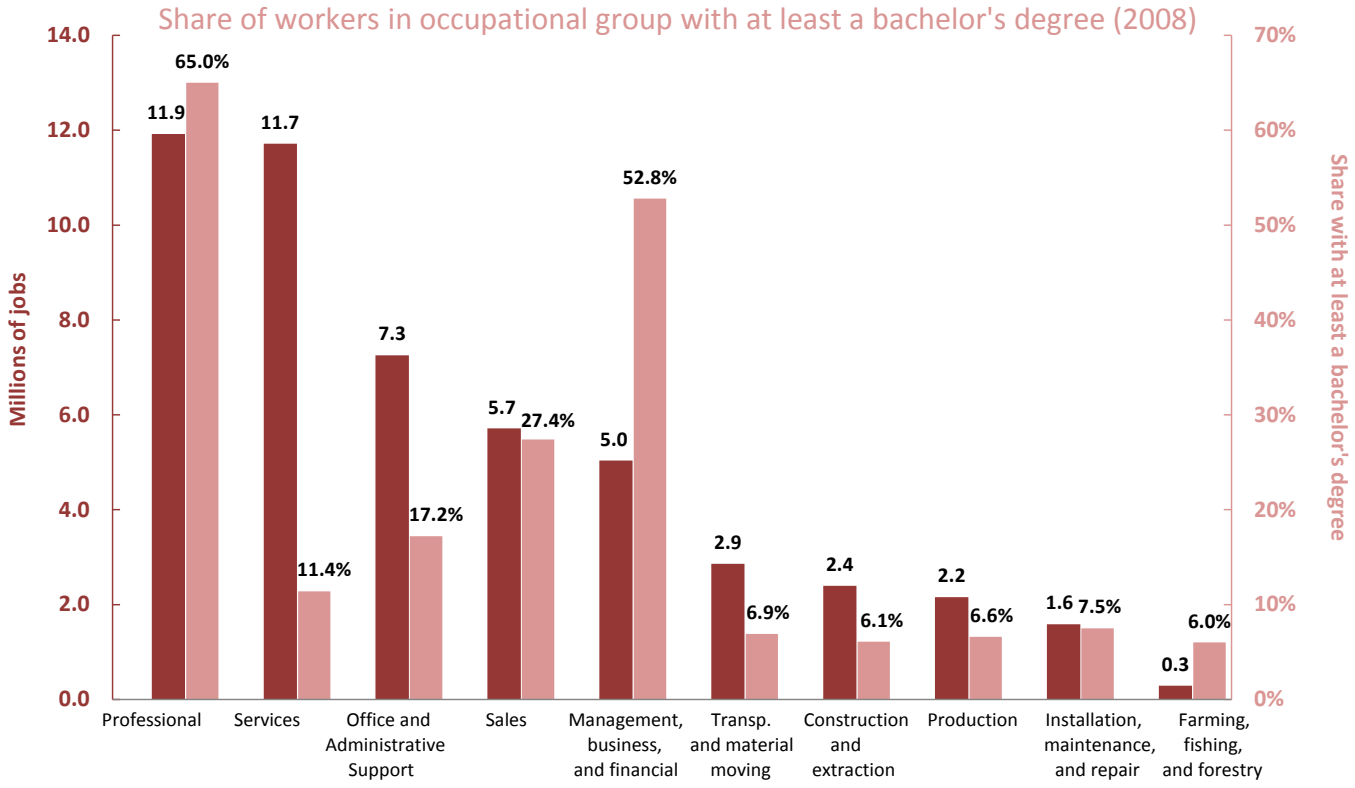
The ability of the workers impacted by trade to transition to new job opportunities is a key determinant of the cost of expanding trade.[1] The longer it takes workers to adjust, the higher the cost; however, the ease of this transition largely depends on the characteristics of those workers whose jobs are displaced by trade. Historically, competition from increased imports has had the largest impact on employment in the manufacturing sector where the vast majority of workers do not have a college degree and workers tend to be older. Consequently, workers 45 and older, as well as workers with lower educational attainment, are disproportionately impacted by trade. Both groups make up larger shares of the pool of workers receiving assistance from trade adjustment programs relative to their shares of the unemployed and overall labor force.[2]

For the workers displaced by trade, making the transition to a new job in an expanding sector or occupation can be costly and difficult. These workers, who tend to be older, may be nearing retirement and have fewer working years before them, and thus may be less able to make the necessary investments to transition to new jobs requiring additional training or certification.[3] Similarly, if expanding sectors or occupations require a more-educated work force, trade-displaced workers without a college degree will face the high cost of furthering their education in order to meet the needs of employers.

Figure 1. Occupations That Require Higher Education Will Dominate Future Job Growth

Expected job growth by major occupational group (2008-2018)

Share of workers in occupational group with at least a bachelor's degree (2008)



Source: Chairman's staff of the Joint Economic Committee based on data from the Bureau of Labor Statistics.

As **Figure 1** shows, occupations that are projected to account for the bulk of future job growth also have the highest shares of employees with at least a four-year bachelor's degree. According to the Bureau of Labor Statistics, almost one-quarter of job growth (23.4 percent or 11.9 million jobs) between 2008 and 2018 will be in professional occupations alone, an occupational category where 65.0 percent of employees have a four-year degree. Services; office and administrative support; sales; and management, business, and financial occupations account for an additional 58 percent of the projected job growth, which as shown in Figure 1, have a high degree of college graduates relative to other occupations. On the other end of the spectrum, the five occupations expected to contribute the least to future job growth also have the smallest shares of employees with a bachelor's degree. This includes production workers, who are the vast majority of employees in the manufacturing industry. Employees in the healthcare sector, one of the fastest growing sectors of the U.S. economy and the only sector to grow during the most recent recession, tend to be well-educated.[4]

Geographic Mobility Decreases with Age

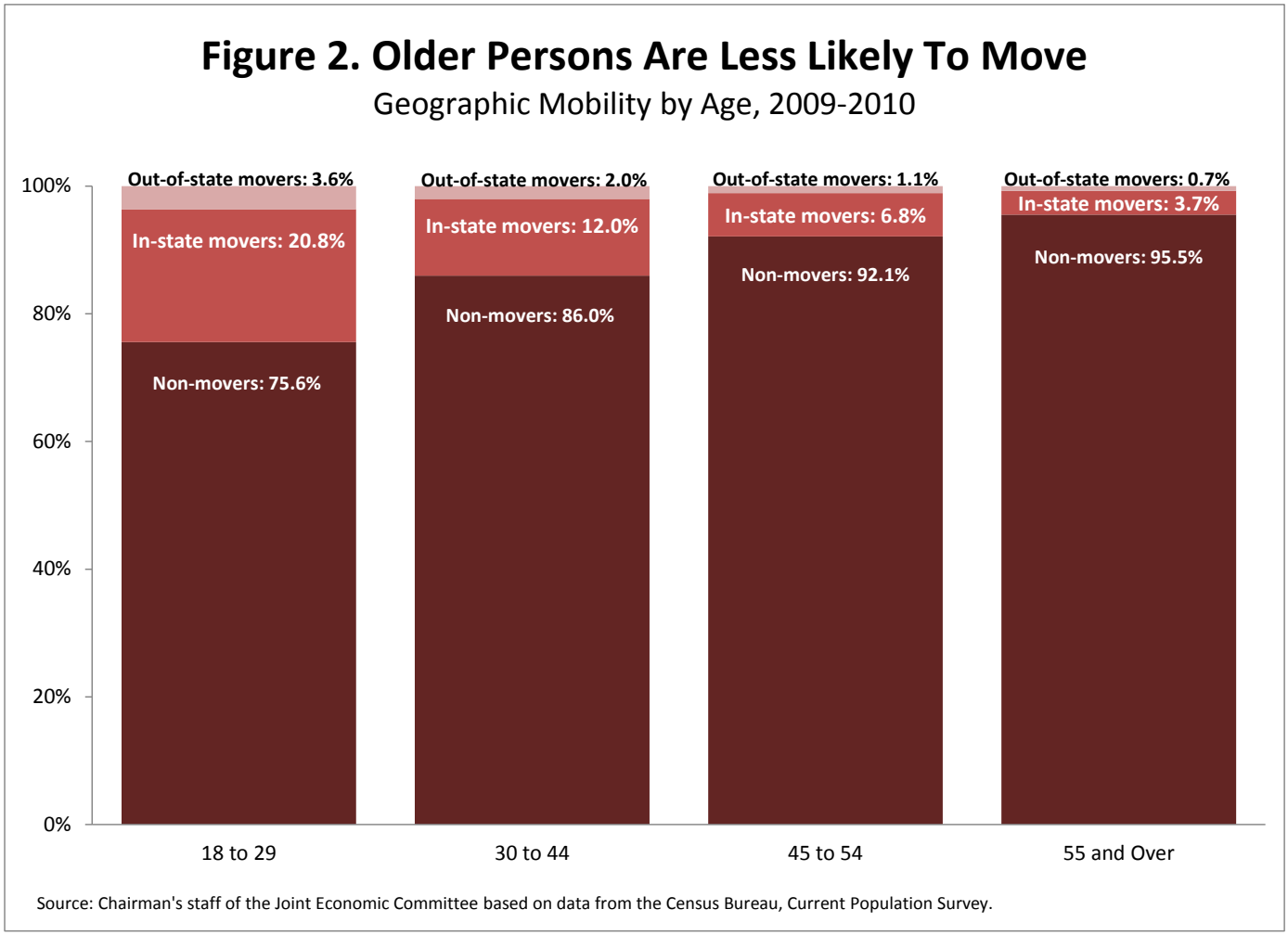
Older workers face similar occupational immobility as workers with lower educational attainment. Additionally, older workers may find it harder to physically relocate for a new job, even if it is in the same occupation as the job that was eliminated.

In any given year, the vast majority of Americans do not move; however, of those that do move, most are young.[5] As **Figure 2** shows, older individuals are the least likely to move, both locally and over further distances. In the last two years, less than 8 percent of persons 45-54 years old and 5 percent of those over 55 moved. By comparison, 14 percent of persons aged 30-44 and almost 25 percent of those 18-29 years old moved in the last two years. This disparity suggests that older individuals may be less mobile than their younger counterparts, making relocating harder and more costly if their job is displaced due to trade.

Several factors may make it less likely for individuals to move as they age. Older Americans are more likely to be homeowners,[6] and the decline in home values since 2006 has wiped out much of the equity many Americans built in their homes. The loss of wealth makes it more difficult to sell a house to relocate for a new job opportunity, particularly for those with outstanding mortgages and those whose mortgage exceeds their home's value. On top of that, the dramatic decline in the stock market hit many workers' retirement accounts, further eroding households' nest eggs. As a share of disposable personal income, household net worth remains below its pre-recession level.[7] Non-monetary factors such as strong community ties and nearby family may make relocating difficult if it means moving away from children, grandchildren or aging parents.[8]

Conclusion

Displacement costs from trade liberalization can be quite high. Those costs depend on the ability of trade-displaced workers to find new jobs and relocate. Trade-displaced workers, who tend to be older and less-educated than other workers, may find it more difficult to move to other regions of the country or to other occupations. Given the already high national unemployment rate and depressed home values still evident in most states, policies that seek to liberalize trade may impose even larger costs on these workers, bolstering the need for additional investments in training or other forms of trade-adjustment assistance.



Sources

[1] Autor, David H., David Dorn and Gordon H. Hansen. "The China Syndrome: Local Labor Market Effects of Import Competition in the United States." National Bureau of Economic Research. 2011.
[2] Joint Economic Committee (JEC). "The Importance of Trade Adjustment Assistance for America's Workers." 2011. JEC found that while persons with a high school diploma comprise only 28.8 percent of the labor force and 35.9 percent of the unemployed, they are 57.2 percent of those receiving trade adjustment assistance. Additionally, while persons 55 and over comprise only 14.2 percent of the unemployed, they are 22.7 percent of those receiving trade adjustment assistance. Persons 45 and over are 57.0 percent of persons receiving trade adjustment assistance.
[3] Congressional Budget Office. "Dislocated Workers: Issues and Federal Options." July 1982.
[4] Hartley, Daniel and Beth Mowry. "Could Low Educational Attainment Be Slowing the Recovery?" Federal Reserve Bank of Cleveland. 2010. Moreover, healthcare workers are twice as likely to have a bachelor's degree or higher than employees in the manufacturing sector.
[5] Three-quarters (75.2 percent) of individuals who moved in 2009-2010 were between the ages of 18 and 44 years.
[6] U.S. Census Bureau. Homeownership Rates by Age of Householder: Second Quarter 2011.
[7] Federal Reserve, Flow of Funds Accounts of the United States. B.100 Balance Sheet of Households and Nonprofit Organizations, as of 2nd quarter of 2011. Available at http://www.federalreserve.gov/releases/z1/Current/z1.pdf.
[8] Groot, Wim and Maartje Verberne. "Aging, Job Mobility, and Compensation." Oxford University Press. 1997.