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TTIP-ing point--Employment

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Commercial analysis: The ongoing US and EU Transatlantic Trade and Investment Partnership (TTIP) negotiations set out to reduce the regulatory barriers to trade for businesses. Saskia Sassen, Robert S. Lynd Professor of Sociology and chair of the Committee on Global Thought at Columbia University New York, and Diane Anderson of the bargaining and campaigns team at Unison, assess TTIP's implications for jobs and employment.

What are the employment law implications of TTIP?

Saskia Sassen (SS): There is the question of currency manipulation by several countries at the other end of the treaty, which creates sharp disadvantages for US workers--imports rise and US production declines. The estimate is that in 2013 Japan's currency 'manipulations' were the key source for the loss of almost 900,000 jobs and a trade deficit of $78.3bn.

The US should strengthen provisions for the protections of workers in the US and abroad--not enough emphasis on these protections. There should be explicit reference to International Labour Organisation (ILO) conventions and the corresponding jurisprudence. One example is that the filing of labour complaints should not be hindered, and if there are obstacles to such filings, they should be reduced. Basically there should be a strong chapter on labour rights.

And thirdly, the rights granted to corporations, notably the key role played by the corporation's lawyers in settling business disputes that might involve a government or another country's firm--a sort of private justice.

Diane Anderson (DA): As America does not ratify core ILO conventions, such as collective bargaining and freedom of association (being able to join trade unions) and operates anti-union policies in many of its states, there are fears that through TTIP workers would not be able to enforce their current rights and lead to a reduction in labour standards. Many workers' protections are based on EU legislation, such as health and safety and environmental protections. Under the Investor State Dispute Settlement (ISDS) many of these laws could be threatened as they could be deemed to affect the profits of foreign investor corporations.

Should companies be planning for job losses?

SS: Goods producing companies: yes. All the specialised intermediaries--from legal, finance, to trucking, shipping and warehousing--gain jobs. Given the strengths of the US, it is above all intermediary specialised servicing and logistics that gain. US firms sell ideas, designs, franchises, brands, engineering solutions, software, and make huge profits. But this does not much benefit workers in manufacturing.

This is an important trend in all advanced economies that has not received enough recognition--in our current economies it is the intermediate sectors that gain, and they cover a very broad spectrum. I have written in detail about this in my book *The Global City* (Princeton University Press), and more recently in my book *Cities in a World Economy* (Sage). It is one key factor contributing to the economic rise of cities--compared to their decline when mass manufacturing and suburban construction were the leading sectors in the US.

DA: Some industries could prosper under TTIP as they could be good for British exporters, eg chemicals and car industries, and possibly Scotch Whisky and textiles. However, others, including public services would be open to privatisation and this could, in turn, threaten jobs. Studies suggest that TTIP would lead to reductions in net exports after a decade, leading to job losses which could be as many as 600,000 in the EU. This would be due to net losses in GDP, loss of labour income, a reduction in the labour share of which the largest transfer would be in the UK with 7% transferred from labour to profit income.

What was the employment fallout from other bi-lateral trade agreements (ie the North American Free Trade Agreement (NAFTA))?

SS: There is consensus among the critics of NAFTA that job losses were almost 700,000.

In the case of the Korea-US Free Trade Agreement, the estimate is 70,000 US jobs lost. Let me add that the US trade deficit with Korea is estimated to have grown by 80%. By the way, and without a free trade agreement (FTA), the pattern is similar with China, once economic relations took off between the two countries: job losses and trade deficits.

I would say it is hard to make the case for FTAs if your concern is job growth, or at least no job losses, in the US. I recommend the reader go to the Economic Policy Institute (Washington DC) website for detailed data on the experience of the US with FTAs.

DA: Despite US claims that the NAFTA led to massive job increases, improved labour standards and higher wages, recent studies have shown that NAFTA hurt workers, particularly blue collar workers in the US. While the overall volume of trade within North America due to NAFTA increased and corporate profits skyrocketed, wages remained stagnant in all three countries. Productivity increased, but workers' share of the gains decreased steadily, along with rates of union membership. NAFTA pushed small Mexican farmers off their lands, increasing the flow of desperate undocumented migrants and it exacerbated inequality in all three countries, often by threatening to move work away from richer to poorer areas.

What support funds are available if large scale unemployment occurs, as some predict?

SS: Not much. The basic position of the US Government and of the legislators who support these treaties is that the US will gain via exports of its goods, and hence workers will win. There are some minimal measures that address exceptional circumstances. But the gradual erosion of US exports of its manufactured goods, and hence shrinking manufacturing sectors are basically left out of the picture, partly because large US corporations are making huge profits on the global sale of high end products as I said earlier, so they are not complaining.

DA: The European Globalisation Adjustment Fund provides support to people losing their jobs as a result of major structural changes in world trade patterns due to globalisation, eg when a large company shuts down or production is moved outside the EU, or as a result of the global economic and financial crisis. The EU structural and investment funds, particularly the European Social Fund, take a strategic, long-term perspective in anticipating and managing the social impact of industrial change through activities such as life-long learning. The European Commission has not yet made clear how funds would be provided to areas that might lose jobs or income as a result of TTIP.

Is the EU likely to accept the risk of job losses? What would this mean for employee rights?

SS: There was a time when I would have said: the EU will not allow that. But I am afraid that protecting jobs ranks quite a bit lower today in the EU than it used to. The push for austerity programs is another indication of this change in what had been a basic policy stance to protect jobs and to ensure that laid off workers get support. I discuss this in detail in Chapter 1 of *Expulsions* (Harvard University Press 2014).

In a way the US has undergone its own sharp re-positioning--the quasi-trade agreements the US signed in the 1960s and 1970s opened up the world to American products and had a positive job growth effect in the US. This then had an indirect job-creation effect in the US. But this was also the time when the US began to outsource the production of garments and the manufacturing of elementary components. And eventually this became more important than the demand for US made manufacturing products.

DA: Due to the lack of transparency in the negotiations it is not so far known what the EU's view might be. However, considering the enormous implications of the proposed negotiations for workers on both sides of the Atlantic, the European trade unions are concerned at the lack of public scrutiny of the EU's draft negotiating mandate by MEPs, trade unions or civil society. This contrasts starkly with the level of scrutiny given to the US negotiating mandate within the US Congress. It is a major challenge to democracy in Europe, and will not help engender public support for these negotiations or any resulting agreement.

Are there any unintended consequences around employment?

SS: That is a good question...and one too often not given enough prominence in trade agreements. It is partly an empirical question in the sense that the answer depends on a range of factors--in different periods the consequences are felt by different sectors.

When outsourcing of components manufacturing and re-importing to the US free of tariffs became significant in the US under Tariff Items 806.30 and 807, the sectors in play were garment, electronics components assembly, toys, and such (details in my *Mobility of Labor and Capital*, Cambridge University Press 1988, p 124). Then the auto industry began to outsource components manufacturing, and then computer components. In short, an expanding range of industries. And there were notorious blowbacks: Boeing's Dreamliner ran into extensive trouble for having outsourced too much--when all the pieces came back they did not all fit.

DA: As we believe the primary purpose of TTIP is to extend corporate investor rights, this can only be done to the detriment of workers' rights. As can be seen with NAFTA productivity did increase but the share going to workers decreased with wages and improved social standards failing to rise, and inequality increasing. Precarious work, such as zero hours contracts, decreased benefits is already obvious in the UK and this is likely to rise across the EU as gains become more concentrated at the top and not distributed equally across society.

Interviewed by Anne Bruce.

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