Are U.S. MNCs “Exporting Jobs”?

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Presentation Goals:

- Present current evidence of MNC job exporting
- Summarize limitations of the data
- Identify possible future steps, to help answer current complex questions about MNCs
Key Questions

• Have MNCs shifted (a) production and/or (b) employment to their foreign affiliates?

• Have MNCs shifted outsourcing of goods and services to unaffiliated foreign companies (“offshoring”)?
Q: Have MNCs shifted production to their foreign affiliates?
Have MNCs shifted production to their foreign affiliates? (continued)

- If they have, one may expect to see a recent uptrend in Census Bureau estimates of the share of U.S. goods imports from “related parties”:

  - 1992 = 45%  1996 = 47%  2000 = 47%
  - 1993 = 45%  1997 = 46%  2001 = 47%
  - 1994 = 46%  1998 = 47%  2002 = 48%
  - 1995 = 47%  1999 = 47%
Q: Have MNCs shifted employment to their (majority-owned) foreign affiliates?
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- Although there has been some downtrend in the U.S. parent share of total MNC employment (from 79% in 1987 to 74% in 2001), roughly three-fourths of MNC employment has been and continues to be in the U.S.
- The U.S. parent share of total U.S. employment was, at 21%, about the same in 2001 as in 1989.
Where is affiliate employment growth concentrated?

• Q: Has employment growth been in low-wage countries, like China and Mexico, or in high-wage countries?....
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- **Q:** Has employment growth been in low-wage countries, like China and Mexico, or in high-wage countries?....

- **A:** Most of the employment growth (in terms of the number of employees) has been in high-wage countries, where investment is stimulated by a number of non-wage factors, including access to markets, reduction in transport costs, protection of property rights, tax advantages, skilled labor supply, etc.
Where is affiliate employment growth concentrated? (continued)

• In 1982-01, MOFA employment in high-wage foreign countries grew annually at 2.3% and in low-wage countries at 2.7%.

• Employment in high-wage foreign countries accounted for 83% of total foreign affiliate employment in 2001, compared to 85% in 1989.
  – For MOFA’s, MNC employment in high-wage foreign countries accounted for 65% of total MOFA employment in 2001, compared to 70% in 1989.
Q: Have MNCs increased their outsourcing from foreign companies?

- Identity: Output = Gross Product + Intermediate Purchases

- BEA data show that the “purchases” share of U.S. parent output (including domestic and foreign purchases) has increased in recent years.
Have MNCs increased their outsourcing from foreign companies? (continued)

Q: Have MNCs increased their outsourcing from foreign companies?

- Data are unavailable to fully answer this question.
- U.S. parents obtain the vast majority of their purchased inputs from domestic sources, but these have some foreign content.
- I-O data probably could be adapted to estimate the foreign content--direct and indirect--in U.S. parents’ purchased inputs.
What are potential costs and benefits associated with U.S. job exporting?

• Costs: ??

• Benefits: ??

• There is extensive literature on the costs and benefits from international trade and investment. Some recent news reports have tended to focus on the costs.
Summary:

• Have MNCs shifted production?… probably not to a significant extent.

• Have MNCs shifted employment?… probably yes, to a limited extent, mostly to MOFAs in large developed countries. Employment remains concentrated in the U.S.

• Are MNCs outsourcing more?…probably yes, but work must be done to quantify. In particular, little information is now available on how much is from domestic versus foreign sources.
Identify possible future data improvements:

What is the most appropriate way for BEA to obtain more timely and comprehensive data on MNCs to help answer complex current questions?
Some possibilities:

- New voluntary or mandatory surveys with a relatively small number of questions and a quick turn-around?
  - WHAT QUESTIONS WOULD YOU LIKE US TO ASK?

- BEA is now redesigning its benchmark survey of U.S. direct investment abroad. What specific questions or general topics might be included on it?