



# Are U.S. MNCs “Exporting Jobs”?

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## Presentation Goals:

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



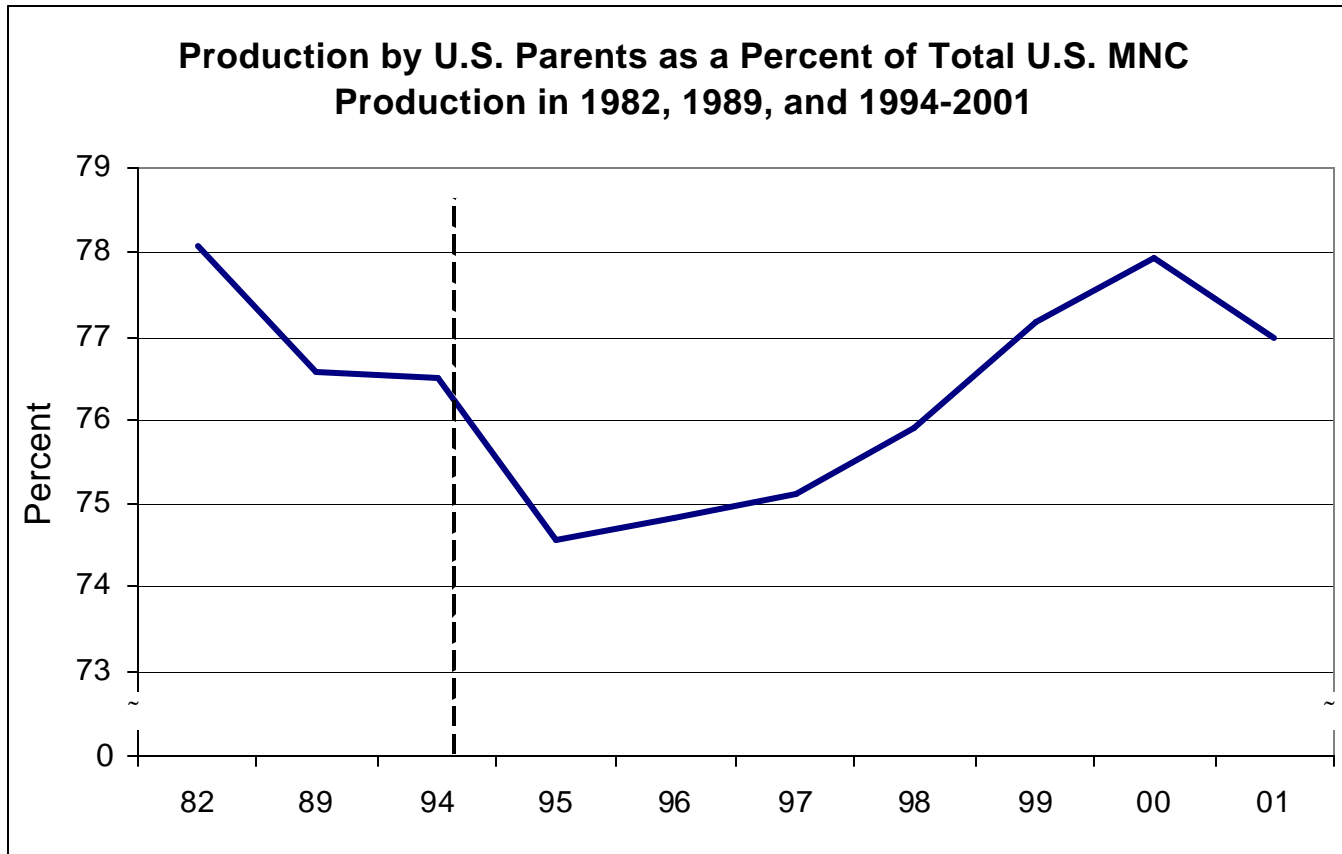
## Key Questions

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- 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)

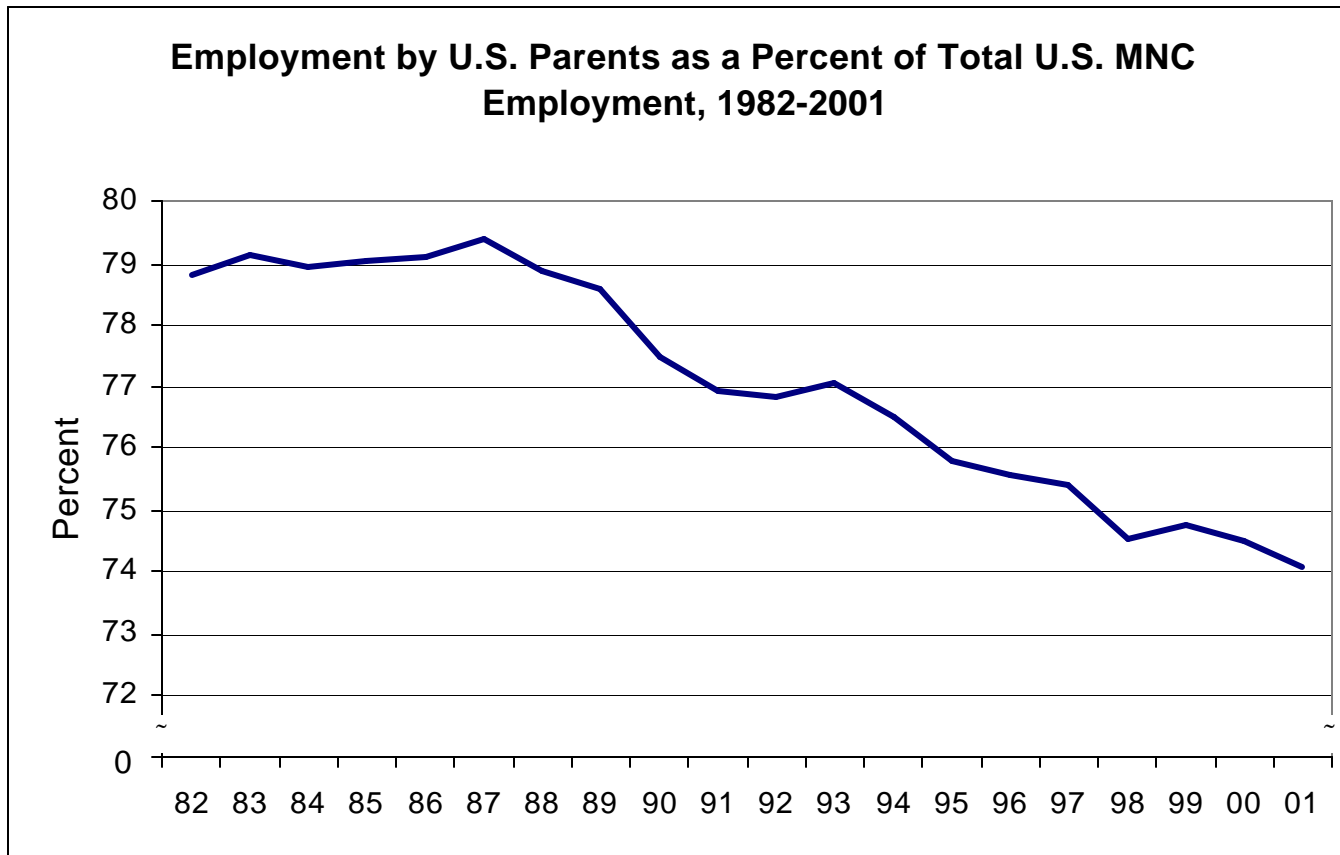
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- If they have, one may expect to see a recent uptrend in Census Bureau estimates of the share of U.S. goods imports from “related parties”:

– 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?





## 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?

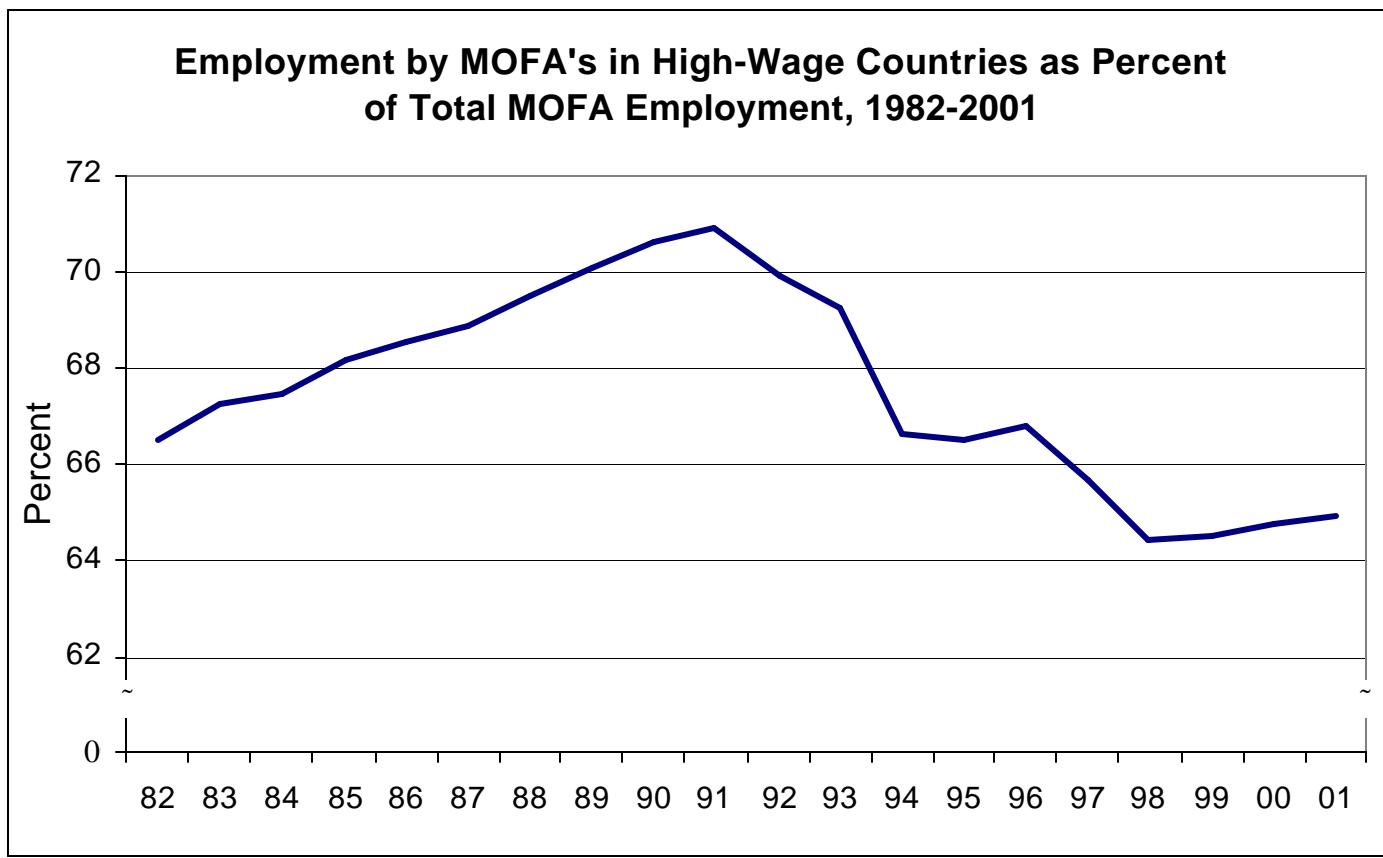
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- **Q:** Has employment growth been in low-wage countries, like China and Mexico, or in high-wage countries?.....





# Where is affiliate employment growth concentrated? (continued)





## Where is affiliate employment growth concentrated? (continued)

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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)

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- 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.



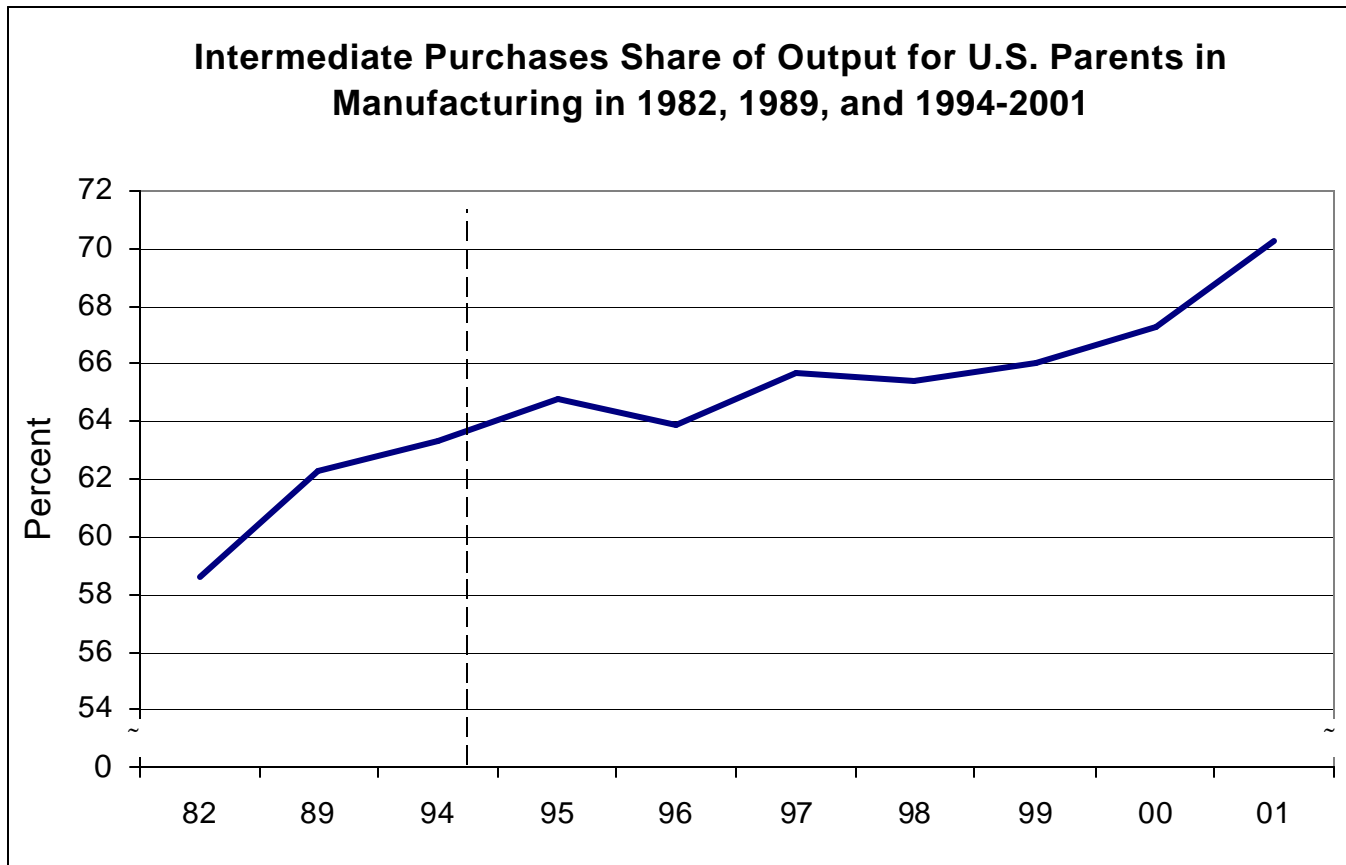
## Q: Have MNCs increased their outsourcing from foreign companies?

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- Identity:  $\text{Output} = \text{Gross Product} + \text{Intermediate Purchases}$
- 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?

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- 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?

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- 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:

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- 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:

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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:

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- 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?