

NAFTA Impact Zone and Economic Development:
\$45 million will fund job retraining for El Paso

Community Scholars

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In the four years since NAFTA was enacted, the free trade policy has hit El Paso harder than any other city in the nation. Ten thousand workers in El Paso alone have lost their jobs because of NAFTA. To help El Paso cope with this critical problem, the Department of Labor awarded El Paso \$45 million for retraining programs for the displaced workers. The Upper Rio Grande Private Industry Council will oversee the implementation of the two-year grant. The goal of the grant is to get displaced workers employed and help El Paso attract better paying and higher-skilled jobs.

The North American Free Trade Agreement was implemented January 1, 1994 with the purpose of eliminating all trade barriers between Mexico, Canada, and the United States. A trade barrier is any restriction that does not allow a good to flow freely from country to country. It can be a tariff, which is a set tax on a good, or a quota, which is a set number of the goods that can enter into a country. Prior to NAFTA, a free trade agreement was established in 1988 between Canada and the U.S., but Mexico's tariffs were as high as 25 percent (tariffs were permitted to be as high as 50 percent) and were almost always 2.5 times higher than U.S. tariffs. Under NAFTA, however, all trade barriers were eliminated.¹

NAFTA was established to benefit consumers by lowering prices and improving safety and health standards and to benefit businesses by giving them a larger market to access, as well as new investment opportunities. Jobs were said to be created by expanding access to U.S. goods and services in Mexican and Canadian markets. Since the agreement gave companies the right to establish firms in Mexico, advocates of NAFTA in 1993 also argued that jobs moving to Mexico would cause Mexico's living standards to rise significantly toward American levels. Mexico would then become a richer consumer market for American products.²

Proponents of free trade argued that the elimination of barriers to trade would increase global competitiveness, thus lowering prices and creating enhanced employment opportunities.³

Key goals of the agreement were to reduce barriers to trade, improve working conditions in North America, create an expanded and safer market for goods and services, establish clear and beneficial trade rules for both parties, and eventually expand free trade everywhere.⁴

Many people argued, however, that low wage and lower skilled jobs, such as manufacturing, would begin moving to Mexico and countries where labor is cheap. According to Harley Snaken at the University of California at Berkeley, the average worker in maquiladoras are earning half of what they did in 1980, which is a little less than one dollar per hour.⁵

Opponents of NAFTA believed that the loss of jobs would outweigh the positive and that NAFTA

would be a detriment to our economy and people. Many were concerned that environmental problems, like pollution, would be worsened near the U.S.-Mexico border.

It is clear now, after almost five years under NAFTA, that the agreement has had both a negative and positive effect. NAFTA supporters argue that it has created thousands of new jobs in the American economy, causing unemployment to sink to a thirty-year low. In 1996, the jobs supported by exporting U.S. goods to Canada and Mexico increased from 311,000 in 1993 to an estimated 2.3 billion. In addition, export supported jobs pay 13% to 16% more than the average U.S. wage. Since NAFTA's birth trade in North America has increased nearly 65%. Trilateral trade, trade between the U.S., Mexico and Canada, was about \$300 billion in 1993 and in 1996 was well over \$500 billion. NAFTA will not be fully implemented for another ten years, yet the people in favor of it argue that it has proved its worth in the country by playing a vital role in consumer choice, improving access for American products, and expanding jobs.⁶

Not everyone views NAFTA's results as positive. Many Americans feel betrayed by NAFTA's promises. For example, the balance of trade between Mexico and the United States has not been to our advantage. In 1992, we had a \$54 billion surplus, which means that the U.S. sold more than it bought. In 1996, we saw a deficit of almost \$18 billion, the U.S. bought more than it sold. The negative trade can be attributed to the fact that companies soon realized that producing in Mexico and selling in the U.S. would increase profits considerably. Companies were attracted to cheap labor in countries like Mexico and quickly began moving their factories outside of the U.S. Hundreds of thousands of workers lost their jobs. Mexico and other low wage countries have caused the average income in the United States to fall below 1989 levels also.⁷ The reason is simple: American workers are losing their jobs to other countries and are forced to find work elsewhere, where the pay is usually not as high as their previous job. So, in essence, NAFTA has created opportunities for corporations, stockholders, and upper management and not for low-wage jobs like manufacturing.⁸

Many also indicate that the wages, living standards and purchasing power in countries like Mexico have not improved as proponents had promised. The government in these countries will not raise wages or encourage unions because it attracts foreign investors.

However, NAFTA does not affect all areas of the United States the same. Where economies in the central U.S. may be booming, many cities along the U.S.-Mexico border are not benefiting at all. Along the border, unemployment persists at two to three times the national average and income per capita remains far below that of the rest of the country.⁹

The most negatively impacted city in the nation has been El Paso. When NAFTA was implemented in 1994, factories that had employed people for decades soon began closing down and moving across the Rio Grande. Ten thousand workers have lost their jobs and another

fifteen thousand are at risk. Furthermore, 70 percent of these workers are Spanish-speaking women who worked for years in factories producing plastics, textiles, electronics, automotive parts, etc. 65 percent of them never made it passed the sixth grade and 75 percent of them are below the poverty level.¹⁰

When NAFTA began, the government promised that funds would be provided to retrain displaced workers for better jobs and unemployment benefits would also be given out. Retraining programs in El Paso were started in 1994 to provide displaced workers with skills to find employment again, yet the programs were highly criticized by many. Almost all training programs required a General Equivalency Diploma and fluency in English, and most displaced workers did not meet either one of the requirements. Only five out of the three hundred programs were bilingual. They targeted business people and entrepreneurs, not factory workers. There were also severe time constraints built into the training. Although many displaced workers went through the training, they could not find jobs afterward because the training had been inadequate.¹¹

With El Paso's ten thousand displaced workers and chronic double digit unemployment rate, training gaps are obviously present. For this reason, the Department of Labor awarded our region the \$45 million it needs to begin retraining.

Organizations, such as La Mujer Obrera, and city leaders have voiced their opinions on what should be done with the money. They agree that the training needs to be revamped. One aspect has already changed is the fact that the Upper Rio Grande region will control how \$45 million spent. The training programs will not be dictated by the federal government as was done in the past. We will have much more local input and El Paso will be allowed to come up with unique solutions to its unique training needs.¹² The money will be allocated through the Upper Rio Grande Private Industry Council by the Texas Workforce Commission Local Development Board. The Private Industry Council will contract with local organizations to provide the training.¹³

The proposed retraining plan targeted at workers has five basic goals: (1) individual re-employment plan (2) family support services (3) bilingual vocational classes linked to specific jobs (4) support for self-employment and micro-enterprise initiatives (5) help build GED and English skills. A proposed outline of the plan is being considered now, but a few elements of the plan are already agreed on.¹⁴

One proposal under consideration is to convert a recently closed Levi Strauss plant into the Workers Training Technical and Service Center. A final decision on that proposal has not been made. The city needs to decide whether it will be a donation or a bargain sale.¹⁵

Before the training begins, displaced workers must be recruited and enrolled in the training. Before they are enrolled into a program each worker will be evaluated and an Individual

Retraining Program (IRP) will be developed. At the same time, employers will also be recruited and jobs will be assessed for language, vocational or computer skills. Then a Request for Proposal will be issued to assess what the job requires and what skills the worker possesses. Trainers will be selected and training will begin. There will also be a post-assessment for each worker and a follow-up for one year.¹⁶

The plan being proposed is much different than the training that existed in the past. Individual Re-employment Plans were never developed, evaluations never occurred, bilingual programs were rare, and a Workers Training Technical and Service Center never existed before. Training will be adapted to help the people, not just train in general.¹⁷

The Workers Training Technical and Service Center will hopefully be running by the end of the year. Enrollment began July 1, 1998 and workers are given six weeks to enroll if they want to receive services. Thirty days after the training, workers need to be enrolled if they want to receive income support.¹⁸

Eduardo Haggert, an aide to Senator Eliot Shapleigh said, "El Paso applied for the \$45 million and now the city has a responsibility to lower the percentage of people unemployed."¹⁹ Hopefully, the training will attract industry to El Paso and new high-wage higher-skilled jobs will be created.

The displacement of ten thousand workers affects more than just those families alone. The city must develop ways to cope with a new crush of unemployed workers and their children. City government feels the effects when families can no longer pay property taxes or postpone medical assistance until critical conditions result. State increased dependence is felt on social and welfare programs. The overall loss to the economy is tremendous.²⁰ Hopefully, with new retraining programs, workers will become employed again and El Paso will finally be allowed to prosper.

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