

RESEARCH SUMMARY

Changing Human Capital Choices in the United States: Impact of Trade Exposure

Although international trade generally benefits the US economy as a whole, opening the economy to global trade will leave some workers who faced increased competition from import worse off in the long term. Do these individuals seek to retrain themselves for employment in the new labor markets? In “Changing Human Capital Choices in the United States: Impact of Trade Exposure,” Patralekha Ukil finds that they do and that female workers retrain at much higher rates than male workers.

THE IMPACT OF NEGATIVE IMPORT-INDUCED ECONOMIC SHOCKS

The effect of increased international trade varies significantly by industry, geographic area, and skill level. If an industry that competes with imports is clustered in one city or region, that region will see a stronger effect. In the wake of opening up the economy, labor market adjustments can cause a decrease in income for workers without a college degree relative to those with a college degree. This variation in impact of trade is important for policymakers to keep in mind, because it can reduce economic mobility and drive some households into generational cycles of poverty.

Existing research has shown that business cycle and economic fluctuations affect individuals’ decisions about whether to invest in higher education. However, little attention has been paid to decision-making by workers affected by the long-term import-induced economic shocks that take place in their local labor markets. Ukil examines the extent to which these individuals engage in retraining employment or accumulating new skills that can help them break cycles of poverty.

HOW INDIVIDUALS TRANSITION TO JOB-SKILL AND JOB-READINESS TRAININGS

- Individuals living in regions that are negatively affected by import-induced economic shocks make transitions to job-skill and job-readiness trainings over time.
- Overall, an increase of one standard deviation in the import-penetration measure in the local labor market leads to an almost 0.4 percentage point increase in the transition to worker training. For females, there is an almost 0.8 percentage point increase.
- The impacts on women transitioning to training seem to be driven by negative shocks to both female and male employment.
- The analysis finds no such positive impact on training for males affected by import-induced economic shocks.