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SUBJECT : Jobs calculations

Jobs and Growth – Through a Transatlantic Economic and Trade Partnership

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This note explains how BUSINESSEUROPE estimated the potential job gains, based on macroeconomic calculations.

## I. Importance of the Transatlantic economy

In a study, the European Commission<sup>1</sup> considered that 7,2% of EU employment (which represents 14.4 million jobs) depend directly on exports.

Due to tariff elimination, we considered that EU exports to US would increase by between 7 – 18%.

→ 7% = 14.601.600 jobs (increasing of 201.600 new jobs)

→ 18% = 14.918.400 jobs (increasing of 518.400 new jobs)

Around 7,69% of US employment depends directly on exports (US exports support 11,8 million jobs).

If US exports to EU increase by between 8 – 17%

→ 8% = 11.988.800 jobs (increasing of 188.800 new jobs)

→ 17% = 12.201.200 jobs (increasing of 401.200 new jobs)

### **Job calculation**

If we consider that 18% of EU labor force represents 36 million jobs, so 7.2% represents 14.400.000 jobs.

- If the EU exports to US increase by 7%, there would be an increasing of the jobs i.e.  $[(14.400.000 * 7\%) / 5] + 14.400.000 = 14.601.600$  jobs because the US represents around 20% of total EU trade. That represents an increase of 201.600 new jobs i.e.  $(14.400.000 * 7\%) / 5$ .
- If the EU exports to US increase by 18%, there would be an increasing of the jobs i.e.  $[(14.400.000 * 18\%) / 5] + 14.400.000 = 14.918.400$  jobs because the US represents around 20% of total EU trade. That represents an increase of 518.400 new jobs i.e.  $14.400.000 * 18\%) / 5$ .

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<sup>1</sup> Trade as driver of prosperity [PDF online] [http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc\\_146940.pdf](http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146940.pdf)



- If the US exports to UE increase by 8%, there would be an increasing of the jobs i.e.  $[(11.800.000 * 8\%) / 5] + 11.800.000 = 11.988.800$  jobs because the EU represents around 20% of total US trade. That represents an increase of 188.800 new jobs i.e.  $(11.800.000 * 8\%) / 5$ .
- If the US exports to UE increase by 17%, there would be an increasing of the jobs i.e.  $[(11.800.000 * 17\%) / 5] + 11.800.000 = 12.201.200$  jobs because the EU represents around 20% of total US trade. That represents an increase of 401.200 new jobs i.e.  $11.800.000 * 17\%) / 5$ .

## II. Elimination of non-tariff barriers<sup>2</sup>

The reduction of 10% NTBs would provide a growth dividend of €24.4 billion (\$31.6 billion) in the EU (which represents an increase of 0.19288% of GDP) and of €8.2 billion (\$10.6 billion) in the US (which represents an increase of 0.07026% GDP).

### ***Job calculation***

Job impact = increasing GDP \* labour force

#### US

Eurostat estimate US GDP at current market prices in 2011 was \$15.087,7 billion →  $\$10,6/15.087,7 = 0,000703$ .

Job impact in the US: 153.4 million \* 0.0007026 = 107.778 jobs.

#### EU

Eurostat estimate EU GDP at current market prices in 2011 was €12.649,1 billion →  $\text{€}24,4/12.649,1 = 0.001929$ .

Job impact in the EU: 228.4 million \* 0.001929 = 440.583

That represents a job impact of 107.778 in the US and 440.583 in the EU.

<sup>2</sup> ECORYS Nederland BV, *Non-Tariff Measures in EU-US. Trade and Investment – An Economic Analysis* [PDF online] [http://trade.ec.europa.eu/doclib/docs/2009/december/tradoc\\_145613.pdf](http://trade.ec.europa.eu/doclib/docs/2009/december/tradoc_145613.pdf)



### **III. Trade in services**

A study driven by *SciencesPo*<sup>3</sup> estimated that 20% of the total production of services in the US and the EU is actually under a significant level of product market regulations that severely block international trade in services.

Removing these barriers could boost services trade by 10-20% which amounts to 20-40 billion or roughly 170.000 – 350.000 jobs.

The trade in services job calculation is based on a proportionality rule. If we consider that export related jobs are goods and services are similar, than this executes to:

- estimated 173.600 new jobs (+10% services trade);
- estimated 347.320 new jobs (+20% services trade)

### **IV. Protection of Intellectual Property Rights (IPR)**

It is estimated that a convergence of IPR regulations between the EU and the US would generate an increase in national incomes of € 0.8 billion (\$1.1billion) in the EU and \$4.8 billion (€3.7 billion) in the US.

That represents a job impact of 66.924 in the US and 15.336 in the EU. If we consider the GDP/jobs ratio to be the same as above (elimination of NTBs).

#### ***Job calculation***

The IPR job calculation is based on a proportionality rule. If we consider that \$31,6 billion of additional GDP represent estimated 440.583 jobs that represents:

- estimated 66.924 new jobs in the US;
- estimated 14.445 new jobs in the EU.

### **V. EU – US Investment Stock**

It is estimated that EU – US Investment Stock represents 36 million jobs. If we consider that investment stock increases by 1%, it will be an increase of 360.000 jobs in the US and the EU.

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<sup>3</sup> SciencesPo – « Leading with services ». The dynamics of transatlantic negotiations in services [PDF online] [http://gem.sciences-po.fr/content/publications/pdf/Messerlin-VanderMarel\\_services07062009.pdf](http://gem.sciences-po.fr/content/publications/pdf/Messerlin-VanderMarel_services07062009.pdf)