

## Tariffs Affect on the Labor Market

Have you heard of the ripple effect? Chances are you have seen it in action when it starts to rain. Each drop causes a ripple of waves in a pool of water. You quickly lose track of the first few ripples as they expand out to near infinity on the water surface. If you were on a lake, you could see ripples that were caused by something a mile away. You don't know what caused the ripples, but you can see them.

There are quite a few things that generate the same type of ripple effect in our labor market. Just like rain drops, they may not seem significant at the time they drop, but they can have lasting ripple effects.

One example of a ripple generator that affects our labor market is a tariff. A tariff is defined as a tax or fee added onto the cost of bringing materials into (import) or out of (export) a country. The goal of a tariff is to provide an advantage for locally produced products by making foreign products more expensive.

Tariffs have been a part of the economy for decades, but they fell out of favor as the world economy became more inter-dependent. Most manufactured products cannot claim "made in (x country)" because components are made throughout the world. We have seen "made in" replaced with "assembled in".

In 2018, new tariffs on steel and aluminum imports were implemented. The ripple effect of those tariffs is expected to have long-term impacts, including on the labor market. Even businesses who never purchased foreign steel are being impacted. All steel prices have increased, whether domestic or foreign, due to an industry shortage of steel here in America. Based on the simple principles of supply and demand, due to this lack of availability of material, domestic suppliers immediately increased their prices to match that of the foreign material because they can't meet the demand due to lack of capacity. According to the AISI (American Iron and Steel Institute), after the tariffs were imposed, steel imports decreased while overall market prices increased by more than 50%, which resulted in a shortage of material for manufacturers using these materials.

Tim Zimmerman, President at Mitchell Metal Products, in Merrill, WI, said he has seen a 40-50% cost increase in 2018 on materials he uses in his business. Future job loss with his company is a concern as they have customers considering buying directly from overseas to save themselves money.

Only time will tell how much more the tariffs will affect NorthCentral Wisconsin manufacturers. Some argue that the tariffs are only causing temporary pain and eventually this pain will be worth it. They also believe that companies need to figure out how to approach their business plans going forward by taking on more business and hiring more workers or by making their processes more efficient thus reducing labor costs.

Although we are currently in a low unemployment period, the potential retraction of industry that utilizes steel and aluminum could have a significant impact on the future

labor market. Although we do not have control over national policy, we can continue to educate ourselves on these ripple effect factors that can change our labor market.

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