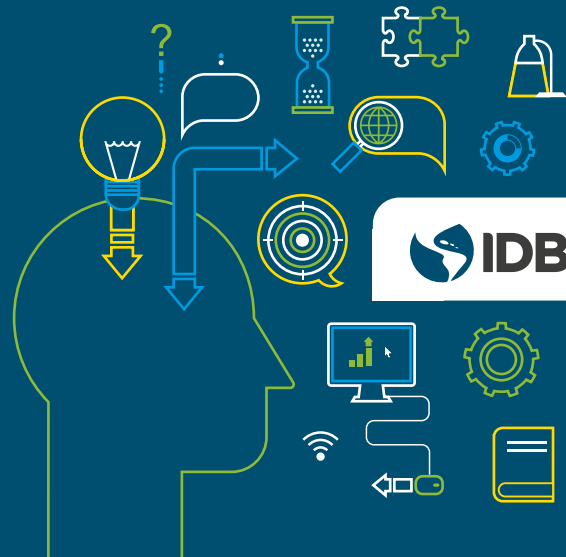


Are Job Concerns a Factor in Supporting Trade?

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- ➔ The majority of Latin Americans are favorable to expanding trade with other countries, mainly based on perceived employment gains, and pro-trade messages further increase support for trade by 3.5 percentage points when the wording implies employment gains in exporter firms.
- ➔ Anti-trade messages reduce support for trade by 6.5-8.5 percentage points when indicating employment losses in import-competing firms and government compensation to affected workers.
- ➔ Trade framing effects are similar across the 18 countries studied and operate through changing beliefs about the employment consequences of trade rather than consumption consequences.

CONTEXT

Recent research has found that, when forming their trade preferences, individuals are more sensitive to negative information about the prospect of employment loss and wage decreases than to positive information about consumption affordability and variety. However, even when trade reduces some types of jobs, the government can intervene and compensate the affected workers during the transition period to a new job. Therefore, taking into account all the employment consequences of expanding trade should not necessarily reduce individual support for trade. The full impact on preferences would depend on the relative magnitudes of the positive and negative employment consequences.

PROJECT

An experiment was undertaken among samples of 18 Latin American countries surveyed as part of the Latin American Public Opinion Project (LAPOP). Randomly selected subsets of the respondents were exposed to one of four information treatments before being asked whether they supported expanding or restricting trade, and a control group was not given any information. The treatments were the following: Anti-Trade/Job-Loss (T1) expanding foreign trade may reduce jobs at firms that compete with imported products; Anti-Trade/Compensate (T2) expanding foreign trade may reduce jobs at firms that compete with imported products and mentioned the possibility of compensating the affected workers;

Pro-Trade/Job-Gain (T3) expanding foreign trade may increase jobs at firms that sell products to other countries; and Pro-Trade/Job-Loss (T4) restricting foreign trade may reduce jobs at firms that sell products to other countries. Immediately post-treatment, respondents' beliefs were elicited about the employment and consumption consequences of trade.

RESULTS

The main findings are that anti-trade information reduces support for trade even if compensation to losers is mentioned and that pro-trade messages increase support only if the messages are cast in terms of employment gains in export-oriented firms, but not if they are cast in terms of employment losses in import-competing firms.

In line with previous research, the first treatment, Anti-Trade/Job-Loss (T1), which suggests that expanding foreign trade may reduce jobs at firms that compete with imported products, significantly reduces support for trade by 6.7 percentage points (ppts) compared to the control group. Contrary to expectations, mentioning the possibility of compensating workers displaced by foreign competition (Anti-Trade/Compensate, T2) significantly increases the negative effect of T1, with support for trade being 8.5 ppts lower than the control group. Although we cannot test why, we suspect that promising compensation for displaced workers increases the salience of the adverse consequences of trade. Alternatively, it is possible that compensation may require increasing taxes or scaling down other social programs with perceived negative consequences for the respondent.

Pro-Trade/Job-Gain (T3), which mentions the positive effects of trade on exporters' employment increases, support for trade by around 3.6 ppts compared to the control group. However, casting a similar pro-trade argument in terms of avoiding job losses instead of creating job gains does not yield any discernible impact. Pro-Trade/Job-Loss (T4), which emphasizes the consequences of restricting trade for exporters' employment, does not affect support; the coefficients are close to

zero and imprecise. Focusing on exporters' gains from increased trade has a more muted effect than focusing on import-competing firms' losses. Thus, on balance, focusing on employment considerations should depress support for trade.

Key Concept

GOVERNMENT COMPENSATION



Public benefits paid by through government social programs to workers whose jobs have been affected by economic changes.



POLICY IMPLICATIONS

While individuals in Latin America in 2021 were widely supportive of their country expanding trade with other countries, public opinion can display a high level of sensitivity to messages about trade, particularly anti-trade messages stressing negative effects of trade on jobs, for example jobs in import-competing sectors. Providing a more balanced view of both benefits and costs of increasing trade attenuates most voters' concerns about employment.

The research highlights the importance for effective policymaking of understanding how individual trade preferences are formed. This knowledge can guide communication by policymakers during trade-liberalization processes. The results suggest that free-trade advocates should also be cautious about emphasizing the possibility of government compensation for displaced workers as this can magnify the belief that trade hurts employment.

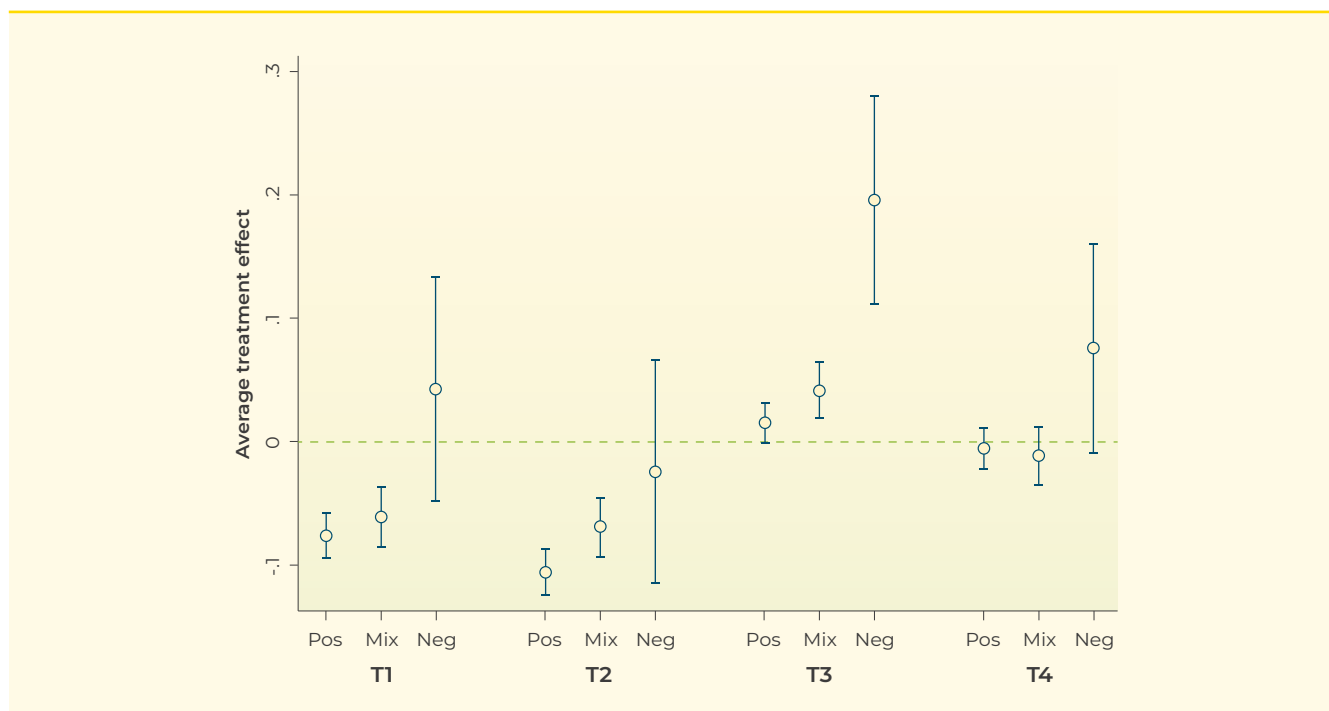
Key Concept

FRAMING EFFECT



A change in preferences and/or beliefs caused by the particular way a policy issue is framed, for example, emphasizing its benefits over its costs.

FIGURE 1. Employment Framing Impacts Depend on Perceptions of Expert Opinion



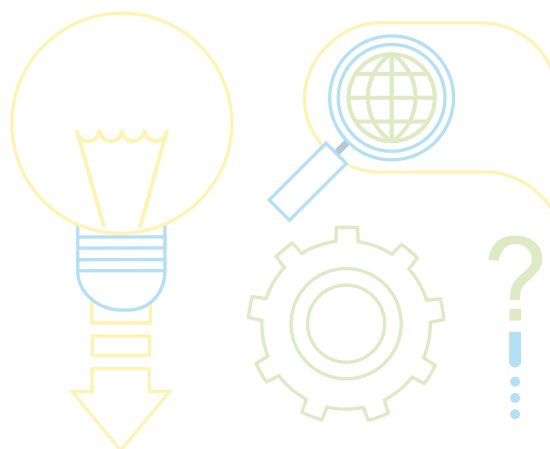
Notes: The figure plots the average effect for each of the four treatments depending on whether the individual believes experts have positive (Pos), negative (Neg), or mixed (Mix) views on trade. The treatments are: Anti-Trade/Job-Loss (T1), Anti-Trade/Compensate (T2), Pro-Trade/Job-Gain (T3), and Pro-Trade/Job-Loss (T4). The mixed views include individuals who responded “don’t know” to the question. Ranges around the estimates correspond to the 95% confidence intervals.

Key Concept

EXPERT OPINION



Policy positions held by experts in an economic domain, which are based on knowledge generated through theoretical and empirical research.

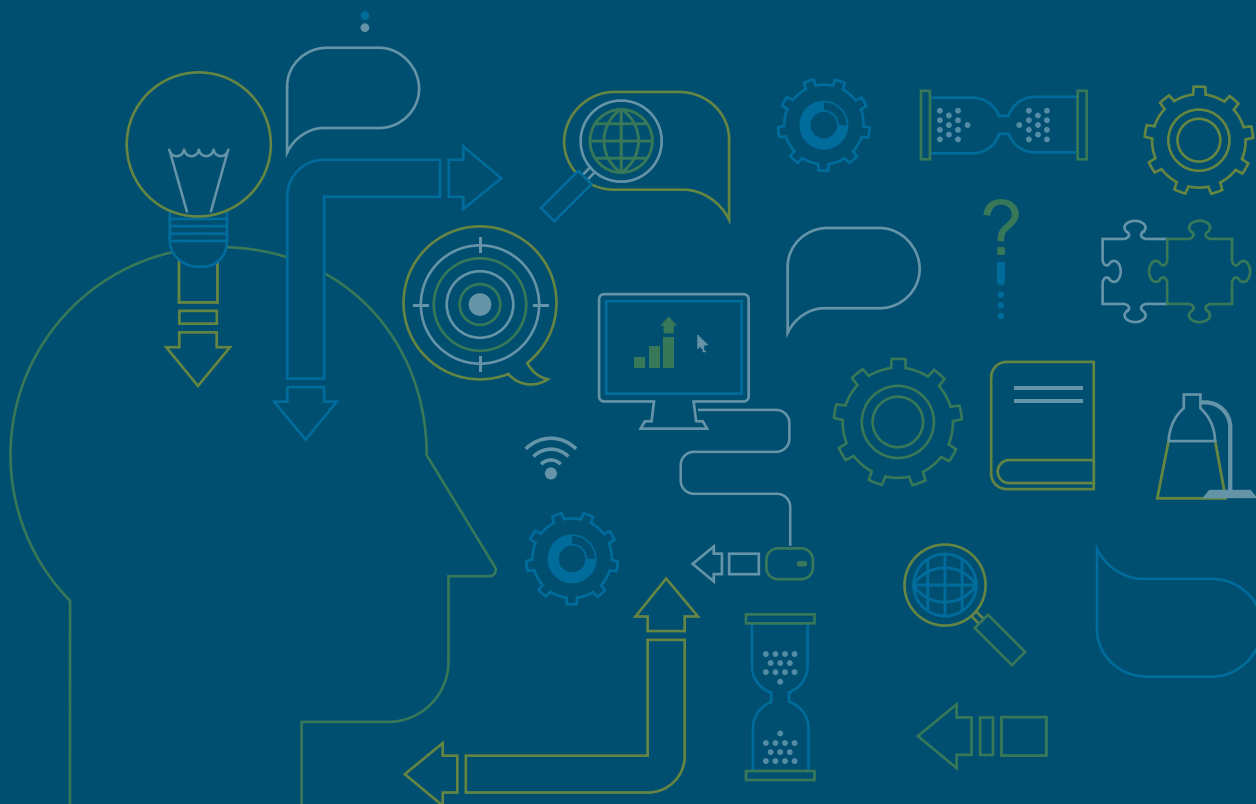


FULL STUDY

Rodríguez Chatruc, Marisol, Ernesto H. Stein, Razvan Vlaicu, and Víctor Zuluaga. 2025. *How Employment Framing Affects Trade Preferences: Evidence from Survey Experiments*. IDB Working Paper No. 1669. Inter-American Development Bank. <https://doi.org/10.18235/0013474>.

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