# EXPORT-IMPORT BANK

More Detailed Information about Its Jobs Calculation Methodology Could Improve Transparency

Why GAO Did This Study

Ex-Im provides loans, guarantees, and insurance to U.S. exporters. One of Ex-Im's primary missions is to support U.S. jobs through exports. In its 2012 annual report, Ex-Im stated that its financing helped support an estimated 255,000 export-related U.S. jobs.

In 2012, Congress passed the Export-Import Bank Reauthorization Act of 2012. The act required GAO to report on the process and methodology used by Ex-Im to calculate the effects of export financing on U.S. employment. This report (1) describes the methodology and processes Ex-Im uses to calculate the effects of its financing on U.S. employment and (2) examines the limitations of Ex-Im's approach and how Ex-Im reports on its methodology, and provides additional related information.

To address these objectives, GAO reviewed relevant Ex-Im documents, obtained and reviewed the data Ex-Im uses for its calculations, and interviewed agency officials and trade policy researchers.

What GAO Recommends

To ensure better understanding of its jobs calculation methodology, GAO recommends that Ex-Im improve reporting on the assumptions and limitations in the methodology and data used to calculate the number of jobs Ex-Im supports through its financing. Ex-Im agreed with the recommendation and stated that it would begin reporting more detailed information in its fiscal year 2013 annual report.

View GAO-13-446. For more information, contact Lawrance L. Evans, Jr. at (202) 512-5366 or evansl@gao.gov.

What GAO Found

The U.S. Export-Import Bank's (Ex-Im) methodology to calculate the number of U.S. jobs associated with the exports it helps finance has four key steps. First, Ex-Im determines the industry associated with each transaction it finances. Second, Ex-Im calculates the total value of exports it supports for each industry. Ex-Im implements these first two steps using its own data. Third, Ex-Im multiplies the export value for each industry by the Bureau of Labor Statistics (BLS) ratio of jobs needed to support $1 million in exports in that industry—a figure known as the "jobs ratio." Finally, Ex-Im aggregates across all industries to produce an overall estimate. The following figure depicts each step of the process.

The Four-Step Process Involved in Ex-Im's Jobs Calculation Methodology
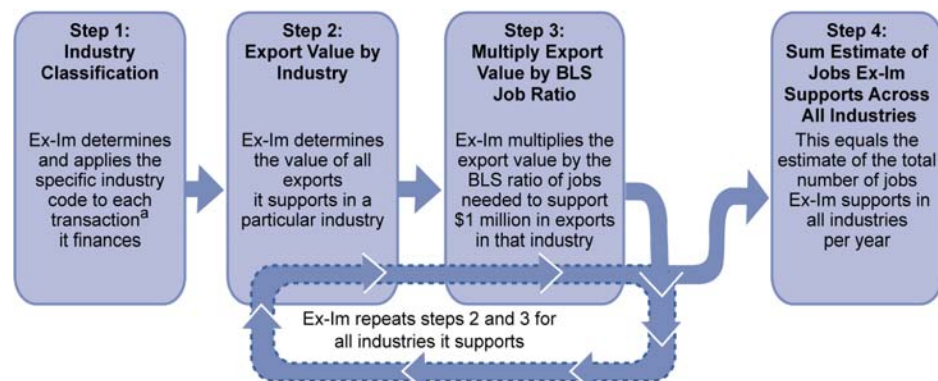
Source: GAO analysis of information from Ex-Im.

a According to Ex-Im, one transaction could have multiple contracts and therefore multiple industry codes. Each industry code is associated with a specific contract.

Ex-Im reports the number of jobs its financing supports and the methodology it uses but does not describe limitations of the methodology or fully detail its assumptions. Although the BLS data tables that Ex-Im relies on are based on a commonly used methodology, this methodology has limitations. For example, the employment data are a count of jobs that treats full-time, part-time, and seasonal jobs equally. In addition, the data assume average industry relationships, but Ex-Im's clients could be different from the typical firm in the same industry. Further, the underlying approach cannot answer the question of what would have happened without Ex-Im financing. Ex-Im does not report these limitations or fully detail the assumptions related to its data or methodology. GAO's *Standards for Internal Controls in the Federal Government* states that, in addition to internal communication, management should ensure adequate communication with external stakeholders, which could include Congress and the public. Because of a lack of reporting on the assumptions and limitations of its methodology and data, Congressional and public stakeholders may not fully understand what the jobs number that Ex-Im reports represents and the extent to which Ex-Im's financing may have affected U.S. employment.

_____ **United States Government Accountability Office**