

## Trade Adjustment Assistance Reauthorization Congress to Cut Training and Reemployment Opportunities for Victims of Offshoring and Outsourcing

Congress established Trade Adjustment Assistance (TAA) more than 35 years ago to provide retraining and income support for American workers who have lost their livelihoods as a result of U.S. trade policies. For decades, blue-collar workers have been the victims of imbalanced federal policies that reward companies for shipping American jobs abroad and that promote a global race to the bottom. As a result of technological advances and the emergence of new global competition, workers in once secure fields such as accounting, computer programming and health care are now as vulnerable to trade as blue-collar workers were a generation ago.<sup>1</sup>

Congress passed more than a dozen free trade agreements over the past decade and is likely to approve a new agreement with South Korea—the largest of its kind since the North American Free Trade Agreement. Meanwhile, policy makers have been less quick to support workers who have lost their jobs as a result of free trade. TAA was reauthorized in 2002, but funding for training remained flat for the five years leading up to the recession, during which time the eligibility requirements failed to keep pace with the outsourcing of service-sector jobs and the growth in imports from emerging markets.<sup>2</sup>

*If Congress fails to act, new Trade Adjustment Assistance will sunset in February 2011.*

Massive job losses during the Great Recession spurred a long-past-due overhaul of TAA in 2009. “New” TAA covers more trade-impacted workers, increases funding for training, strengthens income supports for workers in training, and makes services more accessible. New TAA was set to expire on December 31, 2010, but with bipartisan support, members of Congress made a last-minute effort to extend improvements for the first six weeks of 2011. If Congress fails to take action again, TAA will revert back to failing to cover service employees or workers whose jobs are exported to countries where the U.S. does not have a free trade agreement, including China and India. The following brief highlights four important components of the 2009 TAA legislation that will end in February 2011, unless Congress reauthorizes the program.

- 1) **Modernized eligibility standards** that cover service employees and workers whose jobs are shipped to any country.
- 2) **Additional training funds** (annual amount increased from \$220 million to \$575 million).
- 3) **Health insurance premium assistance** covering up to 80% of monthly costs.
- 4) A new emphasis on **worker-friendly rules** that make it easier for workers to enroll in training.

While there is no guarantee that workers—whose jobs are sent overseas or whose employers are undercut by foreign imports—will find a similar job or earn the same wage, TAA training and reemployment services are well-designed and the best tool we have to equip workers with the skills and resources they need to earn a decent wage.

## Modernized Eligibly Standards

**The inclusion of service sector employees and workers affected by shifts in production to any country, including emerging powers China and India, has helped thousands of workers.**

- Traditionally thought of as a program for manufacturing workers, TAA failed to evolve with the global economy. Today, advances in communication technologies mean that many service jobs can be performed by highly educated workforces abroad at a fraction of direct labor costs in the U.S.
- Additionally, prior to 2009, TAA did not cover workers whose jobs were shipped to countries without a free trade agreement with the U.S., unless workers could prove that imports also increased. As a result, when firms moved production to countries such as China and India, American workers were often ineligible for TAA.
- New TAA also covers public-sector employees, workers whose firms produce component parts of a finished product produced by its customer(s), and workers in firms that supply testing, packaging, maintenance and transportation services to companies with TAA-certified workers.
- Since new TAA began in May 2009, the program has assisted **155,000 Americans** who may have otherwise been ineligible for services.<sup>3</sup> In FY 2010, 35 percent of the certified TAA petitions were due to a shift of services, acquisition of services, or other service-related reason. Under the old TAA, many of these workers would have been ineligible for training and other benefits.

## What is Trade Adjustment Assistance?

Trade Adjustment Assistance offers workers who lose their jobs as a result of free trade training, income support, and reemployment services to ease their transition into a new job.

Before workers can receive services, they must collectively file a “petition” with the U.S. Department of Labor explaining the role trade played in their job loss. Companies, state agencies, workers, and unions can all file petitions on behalf of affected employees.

Trade Adjustment Assistance is funded by the federal government and operated by state and local agencies (i.e., One-Stops) in conjunction with Workforce Investment Act programs.

### Available Benefits

- Training, including classroom training, on-the-job training, and customized training
- Employment and case management services
- Job search and relocation allowances
- Extended unemployment benefits while workers are enrolled in training
- Health insurance premium assistance

## Health Insurance Premium Assistance

**Health Coverage Tax Credit under new TAA covers up to 80 percent of monthly health insurance premiums and provides workers with added flexibility through retroactive payments to help cover the up-front costs of obtaining health coverage, making it easier for workers to maintain health insurance while in training or looking for work.**

- Health insurance assistance has been offered since 2002 through the Health Coverage Tax Credit. Only workers certified for TAA or workers 55 and older who have had their retirement plans taken over by the Pension Benefit Guarantee Corporation are eligible for this federal tax credit.
- Prior to new TAA, only 65 percent of health insurance premiums were covered by the tax credit and once workers lost their jobs, they were forced to pay the cost of health insurance premiums until the U.S. Department of Labor approved their TAA petition. In 2008, the average cost COBRA premium totaled \$1,069 for a family—84 percent of unemployment income.<sup>5</sup> An 80 percent tax credit reduces this cost to a more manageable \$214 a month.
- As a result of changes to the TAA program, the number of individuals potentially eligible for the tax credit increased by one-fourth from 288,000 to 357,000 per month, while monthly participation grew nearly two-fold from 14,000 to 27,700 individuals. The fact that participation grew at a faster rate than eligibility indicates that the additional premium assistance induced more workers to take advantage of the program.<sup>6</sup>

*From 2001 to 2008 the U.S. lost 2.4 million jobs to China.<sup>4</sup>*

## Additional Training Funds

**Annual training dollars increased to \$575 million, enabling a record 97,888 workers to upgrade their skills with TAA training in FY 2010.<sup>7</sup>**

- Between FY 2004 and FY 2008, federal training funds remained fixed at \$220 million per year, during which time the U.S. trade deficit with China grew at an average rate of \$26.7 billion per year.<sup>8</sup>
- As a result of limitations on TAA training funds, some states applied lower Workforce Investment Act (WIA) voucher payment levels to TAA, or failed to approve longer or more expensive trainings that potentially had better outcomes for laid-off workers.
- Despite the funding increase, nine states, including Connecticut, Idaho, Kentucky, Michigan, Montana, New Hampshire, New York, Oregon and South Dakota, received supplemental reserve TAA funds to meet worker demand for training and other TAA services.

## Worker-friendly Rules

The 2009 legislation reasserted Congress's commitment to a TAA program that works for workers, declaring it is a sense of Congress that the "Secretaries of Labor, Commerce, and Agriculture should apply the provisions of [TAA] with the **utmost regard for the interests of workers**, firms, communities, and farmers **petitioning for benefits.**"<sup>9</sup> At little additional cost, worker-friendly provisions in new TAA reduced bureaucratic red tape, while creating flexibility for individuals to pursue both work and training.

- Nobody wins when overly-strict interpretations of bureaucratic rules prevent eligible workers from entering training and upgrading skills. Prior to 2009, workers had a maximum of 16 weeks to enroll in training. Strict enforcement of this rule meant that workers could miss out on training opportunities as a result of paperwork errors, agency negligence and mistakes, or simple human error. Under new TAA, workers now have a full 26 weeks to enroll in training.
- New TAA gave more power to the states to apply "good cause" exceptions when workers missed enrollment deadlines through no fault of their own. Previously, strict U.S. Department of Labor regulations overruled state flexibility, denying TAA to workers who had run afoul of deadlines or paperwork barriers.
- Even with TAA benefits, the cost of foregoing work to enter full-time training is too great a burden for many families. New TAA allows workers to work part-time while in training and to begin on-the-job training before losing their jobs.

## Conclusion

Our communities and workforce will be better off when policy makers on both sides of the trade debate accept that unfettered trade creates both winners and losers, a fact sometimes recognized by even free trade's most ardent supporters.<sup>10</sup> A long-term commitment to free trade policies justifies an equal commitment to the workers and communities harmed when businesses are shuttered and jobs shipped offshore. For this reason, TAA has long had bipartisan support among policymakers.

Unless Congress reauthorizes "new TAA" before February 12, 2011, fewer service workers and victims of job exporting will be eligible for TAA training. Training funding will return to 2002 levels, preventing workers from enrolling in more comprehensive training programs. And, those who are eligible may choose not to enroll due to the increased costs of health insurance and shortened availability of income support.

## Endnotes

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- <sup>1</sup> Alan S. Blinder, "Offshoring: The Next Industrial Revolution?," *Foreign Affairs*, 85(2), [http://www.global-trade-law.com/Blinder.Offshoring%20\(Foreign%20Affairs,%20March-April%202006\).pdf](http://www.global-trade-law.com/Blinder.Offshoring%20(Foreign%20Affairs,%20March-April%202006).pdf).
- <sup>2</sup> U.S. Department of Labor, "Trade Adjustment Assistance Appropriations FY 2003-2008," <http://www.doleta.gov/tradeact/pdf/5YearApprop.pdf>.
- <sup>3</sup> U.S. Department of Labor, "Trade Adjustment Assistance for Workers," Report to the Committee on Finance of the Senate and Committee on Ways and Means of the House of Representatives, Dec. 2010, p 26, <http://www.doleta.gov/tradeact/docs/AnnualReport10.pdf>.
- <sup>4</sup> Robert E. Scott, "Unfair China Trade Costs Local Jobs," Briefing Paper # 260, Economic Policy Institute (Mar. 2010), <http://www.epi.org/page/-/bp260/bp260.pdf>.
- <sup>5</sup> Families USA, "Squeezed! Caught between Unemployment Benefits and Health Care Costs," Jan. 2009, <http://www.familiesusa.org/assets/pdfs/cobra-2009.pdf>.
- <sup>6</sup> Internal Revenue Service figures prepared for NELP and received January 14, 2010. Data available upon request.
- <sup>7</sup> U.S. Department of Labor (Dec. 2010), p 24. According to the Labor Department website, 57,949 individuals participated in TAA training in FY 2009.
- <sup>8</sup> NELP analysis of U.S. International Trade Commission data, accessed Jan. 11, 2011 via USITC Interactive Tariff and Trade DataWeb.
- <sup>9</sup> American Recovery and Reinvestment Act, 2009, Public Law 111-5, 111th Cong., 1<sup>st</sup> Sess. (Feb. 17, 2009), <http://www.gpo.gov/fdsys/pkg/BILLS-111hr1enr/pdf/BILLS-111hr1enr.pdf>.
- <sup>10</sup> Greg Mastel and Howard F. Rosen, "Trade Adjustment Assistance: Lost in the Shuffle," op-ed, *The Hill*, Nov. 5, 2010, <http://www.iiie.com/publications/opeds/oped.cfm?ResearchID=1704>.