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**“Trade Adjustment Assistance: Expecting a Different Result”  
Statement of Senator Max Baucus  
before the Trade Adjustment Assistance Coalition**

Albert Einstein once said, “Insanity is doing the same thing over and over again and expecting different results.”

We often do the same thing because the nature of our challenges and opportunities do not change. Or we get lazy and do the same old thing out of inertia.

Doing the same thing on TAA cannot be an option. Globalization, fueled by the advance of globally tradable technologies, is driving unprecedented change in our economy. Our labor market has already been forced to adjust to these changes. The average worker can now expect to hold between ten and 14 jobs before the age of 40.

Our policies must likewise adjust. Our workers have the right to expect that their government can also adapt and be flexible.

They expect us to have a plan — one that adjusts to a changing economic landscape.

More than 40 years ago, President Kennedy first proposed an adjustment program for trade-displaced workers. He recognized that tariff reductions would inevitably affect some American jobs.

But few of us imagined in 1962 that technology could lower as many or more barriers to trade than tariff reductions. Global demand for manufactured goods has mushroomed, and previously unimaginable transportation improvements move these goods around the world in record time.

The current approach to TAA does not contemplate this present. Nor does it contemplate what the future holds in store. The current approach to TAA is stuck in 1962. The current approach to TAA is still doing the same thing over and over again. And it is reaping the same results.

TAA expires on September 30. That gives us a historic opportunity to stop doing the same thing over again. And that give us an opportunity to get a better result. We have a unique chance to develop a more flexible, fair, and relevant program that helps more American workers adjust to and thrive in the age of globalization.

Our first priority must be to make TAA relevant to today — to globalization's effects on our economy and labor market. America continues to lead in innovation, driving demand for highly-skilled jobs, both in manufacturing and in services.

When globalization changes the way that workers do their jobs, we need to reach those workers sooner. Preferably we should reach them before they even have to lose their jobs. And when globalization creates jobs, we should make sure that workers are trained and ready to take advantage of them.

In 1962, we identified a trade-impacted job by whether the worker's product could be put in a box and shipped. But globalization has changed that.

Today, 80 percent of our workforce is in the services sector. And these workers produce items that can be traded over transoceanic fiber-optic cables. These tradable service jobs are not just low-skilled. They are also in fields like law, accountancy or radiology.

But our policy is stuck in 1962, not 2007. We offer Trade Adjustment Assistance benefits to manufacturing sector workers. But we do not offer benefits to the 80 percent of our workforce employed in the services sector.

That must change. A re-tooled TAA must provide services workers the opportunities that TAA offers. The cost of doing so pales in comparison to the overall savings from trade. Trade saves the average American household \$9,000 a year on products bought. Giving service workers access to TAA would cost less than \$3 per household through 2010.

The U.S. economy is also creating new demand for many professions that perform services that are not tradable. Workers perform these professions in person. These jobs are therefore less vulnerable to displacement. More than half of the fastest-growing occupations in the country are personally-delivered services, like physical therapy, home healthcare assistance, or systems administration.

And these jobs range across the skill spectrum. Four of the top ten fastest growing jobs require a bachelor's degree. Two require an associate's degree. Two require moderate-term on-the-job training. And two require short-term on-the-job training.

Many of the new jobs in today's economy must be performed right here, at home. In my home state of Montana, for example, some of the top jobs for which TAA participants train for are in healthcare, construction and heavy equipment operation. These are jobs performed in Montana. They are not jobs outsourced to India. And these are the kind of jobs on which we should better focus TAA training.

We must also target our communities with TAA. An important target of such training must be our communities. Like services workers, vulnerable communities fall outside of TAA's current orbit.

TAA will pay for a worker to relocate. But most workers have deep roots in their community. For them, relocating is not an option. And if you live in a place like Montana, it sure would be hard to give up.

Our national TAA strategy must also help communities affected by trade to adjust and create new jobs. We can recognize these communities.

But we do not have a comprehensive strategy to help trade-impacted communities create good jobs. Most communities do not even know what sources of assistance — across the federal government — they can tap.

That must change. And my TAA efforts will address this gap. Our approach will be modeled on what we already do for communities affected by military base closures. In these cases, the Defense Department's Office of Economic Adjustment works closely with communities to develop a plan and secure government assistance to implement that plan.

A new TAA for Communities program can also help communities identify and navigate these opportunities so that America's communities can plan for, not just respond, to globalization's market shifts.

Industries — like services and communities — also fall through the cracks of today's system. The Labor Department determines TAA eligibility one employer at a time. So the Department may certify one factory's workers for TAA. But the Department may not certify workers at another factory that makes the identical product and is affected by the identical market condition.

That must change. To make TAA more proactive, I proposed in January to certify entire industries that are vulnerable to trade. To do this, we need to tap the resources of agencies beyond the Labor Department, which does not have the capability to determine the effect of trade on entire industries.

Other agencies, like the International Trade Commission, do. In trade remedy cases, the Commission already makes determinations of trade-related injury to trade-affected industries.

Once the International Trade Commission makes such a determination, workers who lose their jobs across that entire injured industry should automatically become eligible for TAA.

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That would sure make a difference to workers in entire industries — like Montana’s softwood lumber industry — that have been displaced by unfair trade practices.

Another way that we can be proactive with TAA involves incumbent workers. Despite our best intentions, help for trade-displaced workers usually comes only after the layoff. But if we try something different, like reaching out to workers before they lose their jobs, we might get a different result.

It is not always easy to predict when a worker’s job may be in jeopardy. But in trade-affected industries, the signs are often there. If the Department of Labor proactively investigates and certifies industries or occupations vulnerable to trade, we can reach those workers before they lose their jobs.

This year, I intend to explore how we can provide workers in these industries with TAA benefits such as training, to help them avoid a painful, lengthier dislocation later.

The globalized economy of today and tomorrow requires fundamental changes to the TAA program, particularly those that I have outlined. But in our rush to be novel, we cannot forget that we must also make the current TAA program work better.

It is no secret that TAA has had its share of problems. TAA can be a complex maze of arbitrary deadlines, hurdles and petition rulings.

Last year, more than 120,000 workers were certified as eligible for TAA. But fewer than half of them actually used it.

Around ten percent of them used the healthcare tax credit. And even fewer chose the new wage insurance that Congress passed in 2002.

The September expiration of TAA gives us the opportunity to fix these problems. We can learn from our experience and make current benefits easier for workers to access.

One obvious place to start is by finally covering workers whose firms shift production to China and India. The current program only covers those workers whose firms move to FTA partner countries. That must change.

Globalization is not bound by trade agreements. It moves production to wherever is most efficient. American workers who lose their jobs because it moved to China, India, or any other country in the world, should not be shut out of TAA on a senseless technicality.

Another key problem with the existing program is that some workers may get real access to training, but others may not.

Currently, Congress has set a cap on the training funds — \$220 million — to be allocated to states by the Labor Department. A number of the hardest-hit states run out of their allotted training funds before the year ends. That means they cannot offer all workers the training to which they are entitled.

It is time for Congress to fix this cap. This year, I will work to ensure that all states have enough money to provide real training options to any eligible worker who wants it.

We also need to address the critically underused TAA healthcare tax credit. In the 2002 Trade Act, Congress recognized that losing health-care coverage can be nearly as stressful to workers as losing their jobs. So I worked with my colleagues to craft a health-care tax credit to cover 65 percent of a worker's premium under a qualifying state health-care plan.

But experience over the last several years has taught us that few TAA participants can afford to cover 35 percent of their premium. Even with a full time job, most workers pay less than 25 percent of their healthcare premium.

Workers who just lost their jobs cannot afford to pay more for health coverage.

This year, I plan to make this benefit work better for participants in two ways. First, I plan to raise the government's share of the premium. Second, I want to make sure that participants do not get stuck with the bill — or worse, lose coverage — while they wait for the government to approve and pay benefits.

Likewise, TAA's wage insurance benefit has been vastly underutilized. In the Trade Act of 2002, we proposed a pilot wage insurance program.

Congress crafted this option specifically for older workers who would have a harder time retraining.

These workers, who often spent decades in one industry, tend to experience a greater drop in wages when they find a new job. To provide greater flexibility for these workers, we proposed a new wage insurance benefit to make up for these lost wages.

At the time, I had expected we would by now be in an excellent position to evaluate the pilot program.

But two separate reports by the Government Accountability Office revealed that the Department of Labor's implementation of the new benefit has not been smooth.

In some cases, the Department omitted the wage insurance option from petitions for TAA benefits. Therefore, workers who might have been interested in wage insurance could not choose it.

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With so few workers choosing the wage insurance option, it is hard for Congress to evaluate whether it has worked. In order to truly test wage insurance, we need to eliminate the excessive red tape and needless hurdles that have hampered implementation so far.

But that is only the beginning. We also have to remove the disincentives in current law. Today, TAA beneficiaries face a stark choice. They can take either the traditional training benefits or opt for wage insurance. They cannot take both.

But each worker has individual needs and priorities. Some care most about getting training to start over in a new occupation. Others care most about replacing their wages.

Workers deserve to get both. In the coming weeks, I plan to introduce a bill that makes it clear that wage insurance cannot replace current TAA benefits.

Rather, workers who would like to try wage insurance should have the flexibility to take training as well.

Flexibility, above all, is what workers really need. For TAA to truly help workers adjust to an increasingly complex and changeable job market, it should provide “flexible” benefits. Flexible benefits could let workers select current TAA benefits, and opt in and out of their benefits over a period of five years.

With flexible TAA benefits, workers would still have the option to take all of their training and income assistance in two consecutive years. Many participants seeking training in health sciences or construction would continue to do that.

But other workers could take a one-year course in software design, and then find suitable jobs in their chosen field.

If these workers’ new jobs pay less than their old ones, flexible benefits would allow them to collect wage insurance for their first year back to work. And, since they only took 1 year of training, they would still be eligible to take another year of courses to keep their new skills fresh.

Making TAA more flexible and adaptable to the rapid pace of globalization is the key to its success. Using a 1962 approach to Trade Adjustment Assistance in 2007 will not get us the better results American workers deserve.

This year, when we reauthorize Trade Adjustment Assistance, let us not do just the same old thing. Let us do something better. And let us get better results.

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