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Staff Data and Materials Relating to the

Trade Adjustment Assistance Program

COMMITTEE ON FINANCE
UNITED STATES SENATE

RUSSELL B. LONG, *Chairman*

Data and Materials Prepared by the Staff of the Committee on Finance for the Use of the

SUBCOMMITTEE ON INTERNATIONAL TRADE

ABRAHAM RIBICOFF, *Chairman*

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I. Introduction

Trade Adjustment Assistance was first provided in the Trade Expansion Act of 1962. This special program was designed to aid U.S. workers and firms which were adversely impacted by imports to adjust to increased import competition. The program is premised upon the belief that trade-related unemployment and market disruption may differ somewhat in nature from that arising from other causes, and upon the belief that such trade-related impacts, resulting from a Federal policy of encouraging increased foreign trade for the benefit of the country, should not be borne unaided by particular segments of U.S. industry and labor.

Because of a perceived ineffectiveness of the adjustment assistance program enacted in 1962, the Congress made extensive changes to the program in the Trade Act of 1974. The changes included addition of new provisions designed to aid trade-impacted communities as well as a general increase in benefits and easier access to such benefits.

In the second session of the 95th Congress, H.R. 11711 was introduced to further amend the trade adjustment assistance program. The bill, which passed both Houses of Congress but failed to be enacted in the last hours of the session because of amendments unrelated to adjustment assistance, would have further broadened the coverage of workers and firms who could become eligible for adjustment assistance benefits, liberalized adjustment assistance benefits to workers and firms, contained provisions to accelerate the certification process and delivery of benefits, and introduced industry-wide studies and technical assistance.

On May 30, 1979, H.R. 1543 passed the House. This bill is now pending in the committee and is largely based on H.R. 11711 of the 95th Congress. The following material is designed to aid in understanding the provisions of H.R. 1543 and to provide background on trade adjustment assistance.

II. Worker Adjustment Assistance

Introduction

Background.—Trade Adjustment Assistance (TAA) for workers was originally authorized by the Trade Expansion Act of 1962 (TEA). The objective of the program was to provide adjustment assistance to workers adversely affected by import competition. Increases in imported goods can result in injury to domestic firms and the loss of jobs by U.S. workers. While such injury might be avoided by increased duties on the imported goods or other barriers to their importation, this import-relief response may not always be possible or desirable because of overall U.S. national policy and the requirements of international trade agreements. Assistance was available if it could be

demonstrated to the U.S. Tariff Commission (now the U.S. International Trade Commission) that increased imports resulting from trade concessions were the major factor causing or threatening to cause unemployment or underemployment of a significant number or proportion of the workers of a firm. Because this was difficult to prove, the Commission did not certify any workers until 1969. By fiscal year 1975 the annual cost of the program for workers was only $14 million.

The Trade Act of 1974 broke the necessary connection between trade concessions and eligibility for TAA. It also changed the criteria for eligibility by requiring that, among other conditions, increased imports "contribute importantly" to threatened or actual job separation. These changes relaxed eligibility requirements significantly. Over 425,000 workers were certified in fiscal years 1975 through 1978. In fiscal year 1978 about 157,000 applicants received nearly $260 million in benefits at a rate of about $68 per week and an average duration of 24 weeks.

Related programs.—Most experienced workers who become involuntarily unemployed are eligible for unemployment compensation benefits. This Federal-State system covers about 97 percent of the labor force for up to 26 weeks under the regular program. During periods of high unemployment, workers may be eligible for an additional 13 weeks of benefits under the Extended Benefits program. About $12 billion was spent on UI in fiscal year 1978. The average weekly benefit at the end of fiscal year 1978 was $82 and it ranged from $60 in Mississippi to $106 in the District of Columbia. In September, 1978 average weekly insured unemployment was about 1.9 million or roughly one-third of all unemployed persons. Most of the remaining unemployed persons were not eligible for UI primarily because they had an insufficient work history to qualify for benefits.

Other programs provide additional assistance to unemployed workers because their job separation resulted from Federal policies. In addition to TAA, such programs have been authorized by the Redwood Park Expansion Act of 1978, the Regional Rail Reorganization Act of 1973, the Rail Passenger Act of 1970, the High Speed Rail Transportation Act of 1965, and the Urban Mass Transportation Act of 1964. None of these programs, however, compares to the size of the regular unemployment compensation program.

PRESENT LAW

Petitions and determinations.—A group of workers, their certified or recognized union, or other authorized representative may petition the Secretary of Labor for a certification of eligibility for worker adjustment assistance. Nearly 4,600 petitions were initiated from 1975 through 1978 (see Table 1). About 1,800 or 39 percent of the petitions initiated were certified as eligible for worker adjustment assistance.

Workers are certified as eligible for worker adjustment assistance if they meet the following conditions: (1) a significant number or proportion of the workers in the workers' firm or appropriate subdivision of the firm have been threatened with or have experienced total or partial separation; (2) the sales or production of the firm or subdivision has decreased absolutely; and (3) increases in imports of "articles like or directly competitive" with articles produced by the

workers' firm or appropriate subdivision of their firm "contributed importantly" to threatened or actual total or partial job separation and to a decline in sales or production.

Over 440,000 workers, or about 245 workers per certified petition, were certified for eligibility from 1975 through 1978 (see table 2). About 267,000 workers, or 124 per denied petition, were denied eligibility.

The Secretary of Labor is required to determine whether a group of workers is eligible for adjustment assistance and to issue a certification of eligibility to apply for assistance within 60 days after the petition is filed. The Department has not, however, met this requirement. Cases completed under 60 days were usually less than 10 percent of the cases completed in calendar years 1977 and 1978. A substantial improvement began, however, in late 1978. Over 70 percent of the cases completed were completed in less than 60 days in March and April 1979.

A worker is not certified as eligible if his last total or partial separation from the certified firm or appropriate subdivision of the firm occurred more than one year before the date of the petition or 6 months before the effective date (April 3, 1975) of chapter 2 of the Trade Act of 1974.

If the Secretary of Labor determines that the conditions under group eligibility requirements are no longer met by a certified group of workers, he is required to terminate the certification. The termination applies only to separations from employment occurring after the termination date. Over 200 petitions or about 12 percent of certified petitions were terminated from 1975 through 1978.

Program benefits.—The basic program benefit under the worker adjustment assistance program is the payment of a trade readjustment allowance (TRA). Payments of TRA are required to be made to a certified and eligible adversely affected worker who files an application for any week of unemployment after the "trade-impact date" (the date on which threatened or actual total or partial separation began in the firm or appropriate subdivision of the firm) if the following two conditions are met: (1) The worker's last separation took place on or after the trade impact date but not after the termination date (if any) and not after the expiration date. (The termination date is the date as of which the Secretary of Labor determines the group eligibility conditions are no longer met; the expiration date is two years from the certification date.) (2) the worker had at least 26 weeks of employment at wages of at least $30 per week in adversely affected employment with a single firm or subdivision of a firm in the 1-year period preceding unemployment.

The trade readjustment allowances payable to an adversely affected worker for a week of unemployment is required to be 70 percent of his previous average weekly wage, not to exceed the average weekly manufacturing wage. The weekly TRA payable is reduced by: (1) 50 percent of earnings during the week; (2) any training allowance except that the TRA is required to be paid in an amount at least equal to—and in lieu of—any Federal training allowance; and (3) unemployment compensation for which the individual is eligible. The combined value of any wages, TRA, training allowances and unemployment compensation may not exceed 80 percent of his previous average weekly wage and 130 percent of the average weekly manu-

facturing wage. The average weekly manufacturing wage in 1978 was $227 or $11,804 per year and 130 percent of it was $295 or $15,340 per year.

The maximum number of weeks that TRA can be paid is 78, or one and a half years. The maximum for most workers is 52 weeks. Two sets of workers are eligible for an additional 26 weeks: (1) workers enrolled in training approved by the Secretary of Labor; and (2) workers who are at least 60 years old on or before their date of separation. Except for the additional 26 weeks, TRA may not be paid for a week of unemployment beginning more than 2 years after the most recent separation date. An additional week of TRA exceeding 52 weeks may not be paid if: (1) the adversely affected worker did not apply for training within 180 days of the most recent separation date or certification date, whichever is later; and (2) if the additional week begins more than three years after the most recent separation date.

The availability for work and disqualification provisions of State unemployment compensation laws apply to workers filing claims for TRA.

In addition to the TRA benefit, under the worker adjustment assistance program, the Secretary of Labor is required to make "every reasonable effort" to secure counseling, testing, placement, supportive, and other services under any other Federal law. If the Secretary of Labor determines that there is no suitable employment available and suitable employment would be available if the adversely affected worker received the appropriate training, the Secretary may approve such training. Further, a job search allowance providing a reimbursement of 80 percent of the cost of necessary job search expenses not to exceed $500 may be granted to certified, adversely affected workers for securing a job in the United States if: (1) the Secretary of Labor determines that the worker cannot reasonably be expected to secure suitable employment in his commuting area; and (2) the worker has filed an application for the allowance no later than 1 year after the date of his last separation before his application or within a reasonable period of time after a training period. Also, a relocation allowance of 80 percent of reasonable and necessary expenses incurred in transporting a worker, his family, and household effects and an amount equal to three times the worker's average weekly wage up to $500 may be granted to not more than one member per family. The adversely affected worker may apply for relocation allowance if: (1) he is relocating in the United States; (2) the Secretary of Labor determines that the worker cannot be reasonably expected to secure suitable employment in his commuting area; (3) the worker has been offered suitable, long-term employment in the relocation area; (4) the worker is entitled or would be entitled to TRA for the week of application except for the fact that he has obtained suitable, long-term employment; and (5) the relocation occurs within a reasonable period after application for the allowance or conclusion of training.

General provisions.—The Secretary of Labor can enter into an agreement with any State or any State agency to receiv adjustment assistance applications and provide services. The State must agree not to reduce unemployment compensation otherwise payable to an adversely affected worker. If a State has not entered into such an agreement or fails to fulfill its commitments under an agreement, the 2.7 percent credit against the 3.4 percent Federal unemployment tax for which

employers in the State are otherwise eligible will be reduced to a 2.25 percent credit. In other words, the net effective Federal tax would be increased for the year in question from 0.7 percent of the first $6,000 of wages paid to each employee to 1.15 percent of such wages.

THE HOUSE BILL (H.R. 1543)

H.R. 1543 passed the House on May 30, 1979. As introduced in the House, it was identical to S. 227 introduced in the Senate on January 25, 1979.

Petitions and determinations.—Persent law permits petitions to be filed with the Secretary of Labor by any group of workers, their certified or recognized union or other duly authorized representative. The bill adds that a petition may be filed by the Secretary on behalf of any group of workers.

Among other requirements for group eligibility, present law provides that: (1) sales or production of the workers' firm or appropriate subdivision must have decreased absolutely; and (2) increases in imports of articles like or directly competitive with articles produced by the workers' firm or an appropriate subdivision of the firm must have contributed importantly to the workers' threatened or actual total or partial separation and to a decline in sales or production. The House bill would:

(1) Permit a finding of eligibility on the basis of a threatened absolute decrease in sales or production (although the finding of eligibility could be based on a threatened decline in sales or production, benefit payments would have to be deferred until the actual occurrence of the decline); and (2) expand eligibility to employees of firms or appropriate subdivisions that provide essential parts or services to trade-impacted firms.

This last provision regarding the eligibility of workers in firms providing parts or services to trade-impacted firms is a change from the provisions of H.R. 11711 which passed the Senate last session. The Senate-passed bill added workers in a firm or appropriate subdivision of a firm supplying any article or service which is essential to the production, storage, or transportation of any import-impacted article if at least 25 percent of total sales or production of the workers' firm or appropriate subdivision of the firm is provided to import-impacted firms. H.R. 1543 does not specify any minimum proportion of sales or production that must be provided to the trade-impacted firms.

The bill would require the Secretary of Labor to provide any data and other information obtained during an investigation of a petition for worker adjustment assistance to the Secretary of Commerce if notified that a petition for firm adjustment assistance has been filed.

The bill adds a broad provision that the Secretary of Labor provide whatever assistance is necessary to enable groups of workers to prepare petitions or applications for program benefits. It also deletes a similar provision of present law requiring the Secretary of Labor to provide information and assistance only after the International Trade Commission has made an affirmative finding on import relief with respect to an entire U.S. industry.

Program benefits.—Among other conditions to qualify for TRA, present law requires certified adversely affected workers to have worked at least 26 of the preceding 52 weeks at wages of at least

$30 per week in adversely affected employment with a single firm or subdivision of a firm. The House bill adds as an alternative that a worker could also qualify for TRA if he worked 40 of the preceding 104 weeks at wages of at least $30 per week. Also, under the bill, adversely affected workers could qualify for TRA on the basis of aggregate employment in two or more firms or appropriate subdivisions certified as eligible for worker adjustment assistance.

Present law provides a maximum 52 weeks of TRA for most workers. Two groups of workers are eligible for up to an additional 26 weeks: (1) workers enrolled in approved training; and (2) workers who are 60 years old on or before their date of separation from employment. The bill increases the additional weeks for these two categories of workers from 26 to 52 weeks and increases the total maximum from 78 to 104 weeks. However, the 52 additional weeks payable on the basis that the worker had reached age 60 at the time of unemployment are limited to the greater of (1) 26 weeks or (2) the number of additional weeks through the week in which the worker reaches age 62.

The House bill also adds a section authorizing an appropriation of up to $1.5 million for each of the two fiscal years 1980 and 1981 to be spent on specialized employment and training programs for trade-adjustment assistance to workers. The Secretary of Labor must report on these programs no later than March 1, 1982.

An adversely affected worker is eligible under present law for an allowance of 80 percent of his necessary costs of securing a job in the United States up to $500 if the Secretary of Labor has determined that he cannot find suitable work in his commuting area and the worker has filed for the job search allowance within one year after total separation or within a reasonable period of time after concluding approved training. The House bill increases the reimbursement rate to 100 percent of reasonable and necessary expenses up to $600. It also modifies the time period within which the application for the job search allowance must be filed to: (1) the later of the 365th day after the certification date or the date of the worker's last total separation; or (2) if the worker is age 60 on or before the date of his last total separation, the later of the 547th day after such date or the certification date; or (3) if the worker was enrolled in approved training, the 182d day after the concluding date of the training.

Present law provides for an 80 percent reimbursement of reasonable and necessary relocation expenses and a relocation payment of 3 times the worker's average weekly wage (up to $500) if, among other conditions, the relocation occurs within a reasonable period after filing an application or conclusion of approved training. The bill increases the reimbursement rate to 100 percent and raises the maximum payment to $600. It also requires an adversely affected worker to apply before: (1) the later of the 425th day after the date of certification or the worker's last total separation; (2) if the worker is age 60 or older on the date of his last total separation, the later of the 547th day after such date or after the certification date; or (3) the 182d day after concluding approved training. The relocation must occur within 182 days before or after the date of application for the relocation allowances or within 182 days after the conclusion of approved training.

General provisions.—Present law defines an adversely affected worker as one who has been totally or partially separated from adversely affected employment in a firm or appropriate subdivision of the firm because of lack of work in such employment. The bill broadens the definition to include: (1) workers totally separated from other employment with a firm in which adversely affected employment exists within 190 days after being transferred from adversely affected employment in the firm because of lack of work; or (2) workers totally separated from other employment in a firm in which adversely affected employment exists as a result of (a) transfer of an adversely affected worker because of lack of work or (b) the reemployment of an adversely affected worker within 190 days of the date on which he was totally separated.

Retroactive eligibility.—The bill would direct the Secretary to promptly reconsider petitions which were either denied, refused, withdrawn, or terminated because the petition was filed more than one year after the workers covered by the petition were separated totally or partially from employment (1-year rule), if the petition was filed with the Secretary before November 1, 1977. Further, the Secretary would be directed to promptly reconsider the eligibility for assistance of workers from a certified firm who were determined to be ineligible for assistance because their last total or partial separation occurred more than one year before certification (1-year rule), if the certification is based on a petition filed with the Secretary before November 1, 1977. Upon reconsideration of the petition or eligibility, the Secretary is required to substitute 18 months for 1 year in the above eligibility rule. If a petition is certified retroactively as a result of this provision, its two-year life begins on the 60th day after the petition was initially filed, or in the case of a denied petition, the date of the initial determination denying the petition.

The bill also provides an "open season" for any group of workers separated from employment after October 3, 1974, and before November 1, 1977, to file or have filed on their behalf (including filing on their behalf by the Secretary of Labor) a petition for certification if a petition for such group was not filed after April 2, 1975, and before November 1, 1977. The open season lasts for 6 months after the enactment of the bill. Other conditions applying to these workers are: (1) an 18-month rule for eligibility; (2) a petition date of April 3, 1975, unless determined otherwise by the Secretary of Labor; and (3) the 2-year life of the certification will begin on the 60th day after the petition date.

The bill does not permit recomputation of the amount of any program benefit under worker adjustment assistance for the same week of unemployment for which any worker received or was eligible to receive benefits under existing law.

The bill also requires the Secretary of Labor to provide full information to workers under this retroactive provision and whatever assistance is necessary to enable them to prepare petitions and applications for benefits.

The retroactive provisions of H.R. 1543 differ from those in the Senate-passed version of H.R. 11711 in that H.R. 1543 would apply to petitions filed and separations occurring up to November 1, 1977 while H.R. 11711 would have been limited to petitions and separations prior to November 1, 1976.

Tables Relating to Worker Adjustment Assistance

TABLE 1.—DISPOSITION OF CASES IN WORKER ADJUSTMENT ASSISTANCE UNDER THE TRADE ACT OF 1974 FROM 1975 THROUGH 1978

Petitions	Calendar years—				Cumulative total at end of 1978
	1975	1976	1977	1978	
In progress	0	287	367	594	323
Instituted	528	1,014	1,289	1,732	4,563
Completed	241	934	1,062	2,003	4,240
Certified	(121)	(427)	(408)	(802)	(1,758)
Partially certified	(1)	(4)	(4)	(44)	(53)
Denied	(109)	(438)	(602)	(1,015)	(2,164)
Terminated	(4)	(51)	(20)	(138)	(213)
Withdrawn	(6)	(14)	(28)	(4)	(52)

Source: U.S. Department of Labor, Bureau of International Labor Affairs Trade Adjustment Assistance System unpublished data.

TABLE 2.—DISPOSITION OF WORKERS IN WORKER ADJUSTMENT ASSISTANCE UNDER THE TRADE ACT OF 1974

Workers	Calendar years—				Cumulative total
	1975	1976	1977	1978	
Certified	57,076	144,920	119,634	104,255	425,885
Partially certified	595	794	2,645	10,746	14,780
Denied	50,855	60,699	75,355	80,373	267,282
Terminated	464	4,731	7,532	4,249	16,976
Received 1st payment	25,788	116,140	113,292	148,137	403,357

Source: U.S. Department of Labor, Bureau of International Labor Affairs, Trade Adjustment Assistance System unpublished data.

TABLE 3.—DISTRIBUTION OF WORKERS BY TYPE OF BENEFITS RECEIVED FROM APRIL 1975 THROUGH APRIL 1979

Type of benefit received	Cumulative total	Percent
Cash	424,257	100.0
Training	15,671	3.7
Job search allowance	2,626	.6
Relocation allowance	1,366	.3
Job placements	14,208	3.3

Source: U.S. Department of Labor, Bureau of International Labor Affairs, Office of Trade Adjustment Assistance unpublished data.

TABLE 4.—NUMBER OF CERTIFIED WORKER ADJUSTMENT ASSISTANCE PETITIONS SUBMITTED BY MAJOR TRADE UNIONS FROM APRIL 1975 THROUGH FEBRUARY 1979

Source	Number of petitions [1]	Amount paid	Average amount per worker
Amalgamated Clothing & Textile Workers Union	246	38,612,883	820
Steelworkers	217	202,810,158	1,865
International Ladies Garment Workers Union	201	9,915,738	745
United Auto Workers	59	161,600,382	1,830
Shoeworkers	53	17,883,942	1,291
Boot and shoe	40	8,338,942	917
International Union of Electrical Workers	32	9,792,405	919
Machinists	18	4,339,886	1,121
Teamsters	14	3,016,862	1,455
All other unions	122	44,531,056	1,655
No union [2]	872	157,130,691	1,135
Total	1,874	657,972,945	1,420

[1] These figures reflect the total number of certified and partially certified cases on which first payments had been made through Feb. 28, 1979. 1st payment figures by union, however, are not available. Total 1st payments through Feb. 28, 1979 is 424,257.

[2] Petitions submitted by 3 workers or a company official without claiming union affiliation.

Source: U.S. Department of Labor, Bureau of International Labor Affairs, Trade Adjustment Assistance System unpublished data.

TABLE 5.—SUMMARY BY STATE CASE AND WORKER DISPOSITIONS FROM APRIL 1975 THROUGH APRIL 1979

State	Cases certified	Workers certified	Cases denied	Workers denied
Alaska	0	0	1	75
Alabama	36	13,048	40	6,215
Arkansas	37	6,787	15	2,156
Arizona	27	11,346	12	425
California	65	18,135	83	7,357
Colorado	17	2,348	14	508
Connecticut	35	8,058	43	2,044
District of Columbia	0	0	1	0
Delaware	4	4,377	0	7,055
Florida	15	605	0	830

TABLE 5.—SUMMARY BY STATE CASE AND WORKER DISPOSITIONS FROM APRIL 1975 THROUGH APRIL 1979—Continued

State	Cases certified	Workers certified	Cases denied	Workers denied
Georgia	24	7,253	11	594
Hawaii	9	431	10	163
Iowa	10	1,862	0	709
Idaho	3	266	1	0
Illinois	61	14,442	77	17,176
Indiana	38	14,106	54	15,314
Kansas	1	200	5	3,135
Kentucky	20	3,692	23	1,021
Louisiana	13	2,130	9	1,390
Massachusetts	152	19,160	258	15,223
Maryland	23	12,555	36	1,453
Maine	24	4,524	13	1,173
Michigan	33	27,158	106	36,050
Minnesota	18	3,178	21	856
Missouri	72	21,165	84	11,035
Mississippi	11	2,208	3	200
Montana	7	1,305	4	62
North Carolina	16	1,913	15	2,966
North Dakota	0	0	1	52
Nebraska	4	1,601	6	45
New Hampshire	20	2,540	21	2,530
New Jersey	231	22,975	279	17,910
New Mexico	4	268	3	484
Nevada	9	935	5	24
New York	316	44,893	249	17,285
Ohio	74	47,407	207	35,321
Oklahoma	0	0	6	1,381
Oregon	3	571	11	1,843
Pennsylvania	275	71,085	418	53,519
Puerto Rico	44	3,743	13	826
Rhode Island	7	2,094	17	710
South Carolina	9	1,933	17	2,422
South Dakota	1	198	1	35
Tennessee	64	10,779	24	889
Texas	62	6,798	58	1,979

TABLE 5.—SUMMARY BY STATE CASE AND WORKER DISPOSITIONS FROM APRIL 1975 THROUGH APRIL 1979—Continued

State	Cases certified	Workers certified	Cases denied	Workers denied
Utah	8	832	2	75
Virginia	30	10,224	27	1,937
Vermont	1	200	0	0
Washington	14	1,990	6	776
Wisconsin	38	20,208	46	7,612
West Virginia	55	4,322	99	6,109
Wyoming	1	118	1	0
Total	2,041	457,966	2,483	290,767

Source: U.S. Department of Labor, Bureau of International Labor Affairs, Trade Adjustment Assistance System unpublished data.

TABLE 6.—TRADE READJUSTMENT ASSISTANCE UNDER THE TRADE ACT OF 1974

Payment data	Fiscal years— 1976	1977	1978
Applications filed	105,354	137,208	212,489
Applicants paid	46,824	110,702	156,599
Weeks paid	1,191,834	2,791,776	3,820,407
Amount paid	$69,921,249	$150,891,185	$258,321,988
Average weekly benefit [1]	$48	$54	$68
Average payment per worker [1]	$1,241	$1,363	$1,649
Average duration of benefits (weeks)	25.7	25.2	24.4

[1] These amounts are in addition to any regular unemployment benefits.

Source: U.S. Department of Labor, Employment and Training Administration, Office of Trade Adjustment Assistance.

TABLE 7.—EMPLOYMENT AND TRAINING SERVICES UNDER THE TRADE ACT OF 1974

Applicant data	Fiscal years— 1976	1977	1978
Trade readjustment assistance applications filed	105,354	137,208	212,489
Percent of workers unemployed at time of application	NA	23	24
Applications for employment services	16,599	24,824	79,377
Job placements	727	2,690	6,357
Training:			
Enrolled	826	4,267	8,479
Completed [1]	191	922	13,923
Job searches	23	277	1,072
Relocations	26	191	631
Counseling	5,221	16,842	28,525
Testing	699	2,521	5,597
Supportive services	16	822	4,351

[1] The number of persons completing training can exceed the number of persons entering training because an individual can complete more than one training course while being counted as enrolled only once.

Source: U.S. Department of Labor, Employment and Training Administration, Office of Trade Adjustment Assistance.

III. Firm Adjustment Assistance

INTRODUCTION

The Trade Expansion Act (TEA) of 1962 created a program of adjustment assistance for firms adversely affected by increased imports. The intent of the Congress was to assist firms whose markets were disrupted by imports attributable to import concessions to adjust to changed competitive conditions. It was believed that the Federal Government bears a special responsibility to workers and firms adversely affected by increased imports, especially those resulting because of Federal trade decisions which are undertaken in the name of national policy. In the case of firms, increased imports overnight can eliminate the competitiveness of a firm or an entire industry.

Under the TEA, there were two ways a firm could become eligible for assistance: first, as a component of an industry certified as eligible for escape clause relief; and second, as an individual firm directly petitioning the U.S. Tariff Commission (now the U.S. International Trade Commission) for a certification of eligibility to apply for assistance. In the latter case, the petitioning firm had to demonstate to the satisfaction of the Tariff Commission that, as a result *in major part* of concessions granted under trade agreements, an article like or directly competitive with an article produced by the petitioners

was being imported in such increased quantities as to be *the major factor* causing or threatening to cause serious injury to the petitioning firm. Firms certified as eligible to receive adjustment assistance under the TEA could receive technical assistance, financial assistance, and tax assistance. In the 12 year history of the TEA, less than 35 firms were certified as eligible to apply for assistance, and only about half of such firms received assistance.

In the Trade Act of 1974, the criteria for eligibility for adjustment assistance were significantly relaxed. The requirement that increased imports be related to a trade concession was eliminated, and the requirement that increased imports be the major factor causing or threatening serious injury was changed to require that increased imports contribute importantly to the actual or threatened total or partial separation of a significant proportion of workers in the firm and a decline in sales or production of the firm. Additionally, responsibility for determining eligibility for assistance was transferred to the Department of Commerce from the Tariff Commission, and while the tax assistance under the TEA (a net operating loss carryback over a 5-year period) was eliminated, other benefits were liberalized.

PRESENT LAW

Petitions and determinations.—Petitions for certification of eligibility to apply for adjustment assistance are filed with the Secretary of Commerce by individual firms or their representatives. A firm is certified as eligible to apply for adjustment assistance if the Secretary, not later than 60 days after the petition is filed, determines:

(1) that a significant number or proportion of workers in the firm have been, or threaten to become, totally or partially separated;

(2) that sales or production or both of such firm have decreased absolutely; and

(3) that absolute increases in imports have contributed importantly to such total or partial separation or threat thereof and to such decline in sales or production.

Provision of benefits.—After a firm is certified, it has 2 years in which to file an application for adjustment assistance. The certification of a firm as eligible to apply for adjustment assistance does not mean that such assistance will automatically be granted. The application for adjustment assistance must include the firm's proposal for economic adjustment. Before an adjustment proposal of a firm can be approved and assistance furnished, the Secretary must find that the proposal—

(1) is reasonably calculated materially to contribute to the economic adjustment of the firm,

(2) gives adequate consideration to the interests of the workers of such firm, and

(3) demonstrates that the firm will make all reasonable efforts to use its own resources for economic development.

In addition, the Secretary must find that the firm has no reasonable access for financing through the private capital markets.

Once an adjustment proposal is approved, assistance may be furnished. It may take the form of technical assistance, including the development and preparation of an economic adjustment proposal,

the implementation of the proposal, or both. Costs of technical assistance furnished through private (non-governmental) individuals, firms, and institutions (including consulting services) which could be borne by the U.S. Government would be limited to not more than 75 percent of the total.

Assistance under the firm program may also take the form of financial assistance. This assistance may include loans and loan guarantees for working capital, as well as for construction and for acquisition of land, plant, buildings, equipment, facilities, and machinery. The interest rate on direct loans is determined by a formula consisting of the Treasury cost of borrowing rate used by the Economic Development Administration (EDA) in its regular business development direct loan program under the PWEDA plus a surcharge in an amount adequate in the judgment of the Secretary of Commerce to cover administrative expenses and the costs of probable losses under the program. The surcharge is about 1½ percentage points above the Treasury rate, which is determined quarterly. Additionally, there is a ceiling on the total outstanding liability of the United States on loan guarantees and direct loans at any time for any one firm of $3 million and $1 million, respectively.

General provisions.—The Secretary of Commerce is required to make available full information about firm adjustment assistance to firms in an industry which has been found by the U.S. International Trade Commission (ITC) to be eligible for import relief under the "escape clause" provisions of the Trade Act (section 201 *et seq.*). The Secretary is also required to provide assistance in preparing and processing petitions and applications for program benefits.

THE HOUSE BILL (H.R. 1543)

Petitions and determinations.—Section 201 of the House bill amends the eligibility requirements for firms under present law in two aspects. First, a firm could receive certification on the basis of a threat of an absolute decrease in the sales or production of such a firm, no longer having to show that such decrease has actually occurred. Second, a firm may qualify for adjustment assistance when it supplies services or articles, such as component parts, to and is economically dependent upon one or more "import-impacted firms", *i.e.*, firms which have been certified for adjustment assistance, or whose workers have been so certified, if the Secretary of Commerce determines that all the following circumstances exist:

(1) No less than 25 percent of the total sales of the supplying firm are made to one or more import-impacted firms. The 25 percent must be accounted for by the provision of one or more articles (including, but not limited to, any component part) which are essential to the production of any "import-impacted article" (an article which forms the basis for the certification of the import-impacted firm or workers), and/or one or more services which are essential to the production, storage, or transportation of any import-impacted article.

(2) There has occurred actual or threatened total or partial separations of a significant number or proportion of the workers and an actual or threatened decrease in the sales or production of the supplying firms.

(3) The actual or threatened decrease in sales or production of one or more import-impacted articles in the import-impacted firms contributed importantly to the actual or threatened separations of workers and to the actual or threatened decline in sales or production of the supplying firm.

Program benefits.—The House bill would amend the technical assistance provisions of present law to require that the Secretary of Commerce provide technical assistance on such terms and conditions as he determines appropriate to assist a firm certified for adjustment assistance in preparing a proposal for assistance. Under present law, provision of technical assistance by the Secretary to assist firms in preparing an adjustment proposal required as a part of the application by a firm for adjustment assistance is purely discretionary. If the Secretary does furnish assistance through a private individual, firm, or institution (*e.g.*, private consultants), under the bill the Government would bear that portion of the cost of the assistance, up to a maximum of 90 percent instead of the present 75 percent, which in the Secretary's judgment the firm is unable to pay.

The House bill would amend the financial assistance provisions of present law to add a new provision whereby, with respect to loans guaranteed by the United States under the firm program, the Secretary of Commerce may contract to pay annually, for not more than 10 years, interest rate subsidies to or on behalf of the borrowing firm in an amount sufficient to reduce by a maximum of 4 percentage points the interest paid by such borrower on the guaranteed loan, provided that the subsidy would not reduce the borrower's interest rate on the guaranteed loan to below that charged on direct loans provided as assistance under the firm program. The interest rate subsidies would apply only to loans guaranteed on or after the effective date of the act.

Additionally, the House bill would amend the conditions for financial assistance by removing the surcharge added to the Treasury cost of borrowing under present law and by providing that the outstanding aggregate liability of the U.S. Government on loan guarantees at any time for any one firm may not exceed $5 million (as opposed to $3 million under present law), and that the amount of direct loans which may be outstanding to any one firm at any time may not exceed $3 million (as opposed to $1 million under present law). The new lower interest rate on direct loans resulting from removal of the surcharge would apply to direct loans made on or after the effective date of the act. However, at the request of the borrower, the Secretary of Commerce could take such action as may be appropriate to adjust the interest rate on any direct loan made prior to the effective date of the Act to the new lower rate resulting from removal of the surcharge. Such an adjusted rate would apply to interest payments owing on a loan on or after October 31, 1977. The Treasury cost of borrowing itself would not be subject to adjustment.

General provisions.—The House bill expands the responsibilities of the Secretary of Commerce to assist and inform firms regarding adjustment assistance. It requires that he provide full information to firms, whether or not in an industry for which the ITC has made a finding under section 201 of the Trade Act, about technical and financial assistance available under not only the trade adjustment assistance

program, but also under any other Federal programs which may facilitate adjustment of firms to import competition. The Secretary would also provide whatever precertification technical assistance is necessary to enable firms to prepare petitions for such certification.

IV. Miscellaneous Provisions

PRESENT LAW

Section 281 of the Trade Act establishes an Adjustment Assistance Coordinating Committee, consisting of a Deputy Special Representative for Trade Negotiations as Chairman, and officials charged with the trade adjustment assistance responsibilities of the Departments of Labor and Commerce, and of the Small Business Administration. The committee's function is to coordinate the development and review of all policies, studies, and programs of the agencies involved to promote the efficient and effective delivery of trade adjustment assistance program benefits.

THE HOUSE BILL

The House bill retains the present law requirement for an Adjustment Assistance Coordinating Committee but also establishes the Commerce-Labor Adjustment Action Committee (CLAAC), consisting of officials charged with economic adjustment responsibilities in the Departments of Commerce and Labor and other appropriate Federal agencies. The chairmanship of CLAAC would rotate among members representing the Departments of Commerce and Labor. In addition to any other function deemed appropriate by the Secretaries of Commerce and Labor, the committee would facilitate the coordination between such Departments in providing timely and effective adjustment assistance to import-impacted workers, firms, and communities under the trade adjustment assistance programs and under other appropriate programs administered by these Departments. The committee would report quarterly on its activities to the Adjustment Assistance Coordinating Committee.

The House bill also adds new provisions for industry-wide technical assistance and studies. The Secretary of Labor would be authorized to make grants up to $2 million annually, under terms and conditions he deems necessary and appropriate, to unions, employee associations, or other appropriate organizations to enable them to conduct research on, and development and evaluation of issues relating to, the design of an effective trade adjustment assistance program for workers in industries in which significant numbers of workers have been or will likely be certified as eligible for adjustment assistance. The issues would include the impact of new technologies on workers, the design of new workplace procedures to improve efficiency, the creation of new jobs to replace those eliminated by imports, and worker training and skill development. Such sums as may be necessary and appropriate to carry out the purposes of this section are authorized to be appropriated for fiscal years 1979 and thereafter.

The bill would provide similar authority to the Secretary of Commerce to make grants up to $2 million annually, under terms and conditions he deems necessary and appropriate, for establishment of industry-wide programs for research on, and development and appli-

cation of, technology and organization techniques designed to improve economic efficiency. Eligible recipients may be associations or representative bodies of industries in which a substantial number of firms have been certified as eligible to apply for adjustment assistance. Such sums as may be necessary and appropriate to carry out the purposes of this provision are authorized to be appropriated for fiscal years 1979 and thereafter.

Further, the Secretary of Commerce would be authorized to conduct studies of industries actually or potentially threatened by import competition for the purpose of (1) identifying basic industry-wide characteristics contributing to the competitive weakness of domestic firms; (2) analyzing all other considerations affecting the international competitiveness of industries; and (3) formulating options to assist trade-impacted industries and member firms, including industry-wide initiatives.

V. General Accounting Office Reports

Section 280 of the Trade Act of 1974 requires the General Accounting Office (GAO) to study adjustment assistance programs and report to the Congress no later than January 31, 1980. In general, the GAO is required to examine the effectiveness of adjustment assistance programs and their coordination with other programs providing unemployment compensation and relief to distressed areas.

The Senate Finance Committee report on the Trade Act of 1974 (Senate Report No. 93–1298) lists more specific questions to be addressed:

> How much time elapses between the worker's unemployment and the date on which he receives Trade Adjustment Assistance?
>
> To what extent are benefits paid retroactively?
>
> To what extent are benefits paid after workers have been reemployed?
>
> What are the characteristics of Trade Readjustment Assistance (TRA) beneficiaries and how do they compare to other unemployed workers in the same area?
>
> What employment opportunities are available to TRA beneficiaries in their area?
>
> What is the reemployment rate of TRA beneficiaries compared to regular UI recipients?
>
> To what extent do different age groups continue to be unemployed after exhausting TRA benefits?

To date the GAO has completed the following studies:

> Considerations for Adjustment Assistance under the Trade Act: A Summary of Techniques Used in Other Countries, Volumes I and II (January 18, 1979).
>
> Adjustment Assistance to Firms Under the Trade Act of 1974—Income Maintenance or Successful Adjustment? (December 21, 1978).
>
> Worker Adjustment Assistance Under the Trade Act of 1974 to New England Has Been Primarily Income Maintenance (October 31, 1978).
>
> Worker Adjustment Assistance Under the Trade Act of 1974—Problems in Assisting Auto Workers (January 11, 1978).

Adjustment Assistance Under the Trade Act of 1974 to Pennsylvania Apparel Workers Often Has Been Untimely and Inaccurate (May 9, 1978).

Certifying Workers for Adjustment Assistance—The First Year Under the Trade Act (May 31, 1977).

Assistance to Nonrubber Shoe Firms (March 4, 1977).

In addition, GAO plans to release a final report later in 1979. It will address the specific questions listed in the Finance Committee report.

The GAO reports published to date provide fragmentary answers to many questions. In general, GAO found that worker awareness of the program was low, particularly among nonunion workers. Also, the Department of Labor experienced problems in determining eligibility within the required 60-day period after a petition is filed. The delays in petition actions led to benefit payment delays. Ultimately, the delays were so long that most workers (73 percent of the New England workers) had been reemployed by their previous trade-impacted employer before they received their benefits.

In the New England worker study, GAO found that an average of one year and 6 weeks elapsed between the workers' separations and the first TRA payment. About 53 percent or 31 weeks of this time, however, was the time interval between separation and when the workers filed their petition. The remaining time elapsed in the following manner: (1) eleven weeks between filing and petition and certification; (2) nine weeks between certification and application for benefits; and (3) seven weeks between application and the first TRA payment.

GAO found that the auto workers who received TRA tended as a group to have proportionately more males, blacks, dependents, and married persons than regular UI recipients in the same area. Other differences in age, education, and whether the spouse of the recipient was working were not substantial.

Exhaustees were compared to nonexhaustees in the New England study. As a group, exhaustees tended to be older. They also had proportionately more males and persons who were less educated and experienced with the trade-impacted employer.

VI. Cost Estimates

The Department of Labor (DOL) has estimated that the changes made to Trade Adjustment Assistance for Workers by H.R. 1543 will cost $208.5 million in fiscal year 1980.* This cost breaks down as follows:

Fiscal year 1980 cost of H.R. 1543:	Millions
(1) Extension of coverage to workers in firms supplying essential parts or services to trade-impacted firms	$100.0
(2) Retroactive eligibility	50.0
(3) Experimental training	1.5
(4) Alternative eligibility requirement of 40 weeks of employment out of the last 104 weeks earning at least $30 per week	48.2
(5) Time extension on applications for job search and relocation allowances and increase in maximum allowances	6.2
(6) Extension of benefit duration to trainees and certain workers older than 60 but younger than 62	2.1
(7) Extension of coverage to certain workers indirectly affected because of the exercise of seniority rights	.5
Total cost	208.5

H.R. 11711, the Senate-passed bill in the 95th Congress, differed in two respects:

(1) The extension of eligibility to workers in secondary firms was limited to firms in which at least 25 percent of sales or production is devoted to supplying the directly trade-impacted firm. With the 25 percent criterion, the estimated cost of the provision would be reduced by $21.9 million (from $100 million to $78.1 million);

(2) The retroactive features were limited to petitions filed or separations occurring prior to November 1, 1976 rather than November 1, 1977. This change was estimated to reduce the cost of the provision from $50 million to $30 million.

The following is an excerpt from the Congressional Budget Office cost estimate contained in the report of the Committee on Ways and Means of the House of Representatives (H. Rept. 96–57) on H.R. 1543.

* * * * * * *

TITLE I

5. Cost estimate: Title I of the bill makes a number of changes in the worker adjustment assistance program, which is an appropriated entitlement. The estimated additional costs for this program are summarized below, and it is assumed that appropriations would be made to cover these costs.

*The original cost estimate was $177.8 million as indicated in the estimate prepared by the Congressional Budget Office. Certain workers in more than one adversely affected firm were not included in (4), however. DOL has corrected this omission in the above estimate.

By fiscal years, in millions of dollars

Fiscal year 1980:	
Required budget authority	177.3
Estimated outlays	177.3
Fiscal year 1981:	
Required budget authority	136.9
Estimated outlays	136.9
Fiscal year 1982:	
Required budget authority	143.0
Estimated outlays	143.0
Fiscal year 1983:	
Required budget authority	72.0
Estimated outlays	72.0
Fiscal year 1984:	
Required budget authority	0
Estimated outlays	0

The costs of Title I fall within budget function 600.

TITLES II AND III

Titles II and III authorize a number of changes in adjustment assistance programs for firms and related activities. The projected budget impact of these changes is summarized below:

By fiscal years, in millions of dollars

Fiscal year 1980:	
Estimated authorization level	19.6
Estimated outlays	13.8
Fiscal year 1981:	
Estimated authorization level	36.8
Estimated outlays	27.7
Fiscal year 1982:	
Estimated authorization level	56.6
Estimated outlays	41.9
Fiscal year 1983:	
Estimated authorization level	
Estimated outlays	8.2
Fiscal year 1984:	
Estimated authorization level	
Estimated outlays	−1.2

The budget impact of Titles II and III falls primarily within budget function 450.

The costs of loan programs differ from the direct budget impact of such programs. These costs consist of administrative expenses, interest subsidies, and defaults, offset by interest repayments. The cost of a grant program (e.g., Title III) is identical to the outlay impact. The estimated cost of Titles II and III is summarized below.

By fiscal years, in millions of dollars

Fiscal year 1980:	
Estimated cost	5.6
Fiscal year 1981:	
Estimated cost	9.3
Fiscal year 1982:	
Estimated cost	13.7
Fiscal year 1983:	
Estimated cost	6.5
Fiscal year 1984:	
Estimated cost	4.0

There are major uncertainties concerning international markets that could dramatically increase the cost of the basic trade adjustment assistance program and the incremental costs of this legislation. For

example, a multilateral trade agreement is currently under consideration. Should this agreement be ratified, it could alter both the number and the composition of firms and workers qualifying for trade adjustment assistance benefits. In addition, international markets for crude oil are in a state of flux. It is difficult to predict the impact of these developments upon the trade adjustment assistance programs.

TITLE I

6. Basis for estimate: In title I, the provision with the largest anticipated cost impact per year is the extension of eligibility to workers in firms supplying components or services to plants impacted by increased imports. The costs attributable to this provision would depend on the number of supplying firms, the number of workers in these firms, the percent of the eligible pool certified and the cost per beneficiary. There are no data readily available that permit exact identification of sales to trade-impacted industries on a firm by firm basis. The Department of Labor is undertaking a major effort to estimate the costs of this provision. The results of this effort, however, will not be available for weeks. A Department of Labor spokesman has testified in hearings before the Trade Subcommittee that this provision could cost $100 million in 1980. While this estimate is very rough, CBO has no reason to doubt the estimate.

Based on DOL data, it is estimated that non-recurring costs for fiscal year 1980 for retroactive eligibility of workers will be $50 million, the experimental training voucher demonstration projects will cost $1.5 million in fiscal year 1980 and fiscal year 1981, the alternative eligibility requirement will cost $17 million, and time extension of applications for job search and relocation allowances and increase of maximum allowance will cost $6.2 million.

CBO has updated DOL estimates for fiscal year 1979 to 1980 by inflating by changes expected in the Consumer Price Index. Using this methodology, CBO estimates the fiscal year 1980 costs of extending the benefit period to trainees by 26 weeks will be $2.1 million and the costs of expanding coverage of workers laid off as "bumpers" will be $0.5 million.

TITLE II

The DOC administers an adjustment assistance program for U.S. firms adversely affected by increased foreign trade. An estimated growth of 50 percent in the number of petitions filed is projected as a result of the expanded eligibility requirements provided by H.R. 1543. Since authorization for this program expires in fiscal year 1982, costs and outlays in fiscal years 1983 and 1984 reflect only those obligations incurred by fiscal year 1982.

Based on current DOC certification data and an estimated increase in the rate of petitions filed of 50 percent, it is estimated that approximately three-fourths of the firms that petition will be certified within three years.

Technical assistance is available to firms prior to and after certification. Title II would increase the government share of the cost of technical assistance from 75 percent to 90 percent for eligible firms. It is assumed that one-half of the certified firms will receive technical assistance at an estimated $100,000 per firm (at 1979 cost levels), includ-

ing administrative costs. Costs in fiscal year 1980 and thereafter are assumed to increase as a result of inflation. Funds are assumed to be obligated in the year of certification, and outlays from obligated funds are estimated to be 75 percent the first year and 5 percent the second year. On this basis, additional outlays are projected to be $2.1 million in fiscal year 1980; $4.3 million in fiscal year 1981; $7.6 million in fiscal year 1982; and $1.8 million in fiscal year 1983.

In addition to technical assistance, financial assistance is available to firms certified as actually impacted under this title. Title II amends the direct loan program by raising the loan ceiling from $1 million to $3 million available to any one firm and by revising the interest rate charged on direct loans. The rate of interest for all direct loans (retroactive to October 31, 1977) would be the lower of the following two rates, as determined by the Secretary of the Treasury: (1) the current average market yield on outstanding marketable U.S. obligations of comparable maturity; or (2) the average annual interest rate on all U.S. interest-bearing obligations plus one-quarter of one percent per year. The outstanding loan balance as of October 31, 1977, would be adjusted to reflect the retroactive change in interest rate. Under Title II, the guaranteed loan program would provide interest rate subsidies to reduce interest paid by borrowers to rates comparable to direct loans (to a maximum of 4 percentage points). The guarantee loan ceiling would be raised from $3 million to $5 million for any one firm.

The potential budget impact for financial assistance requires measuring not only outlays associated with the expanded coverage provided by the legislation, but also the increase in the average loan size resulting from greater demand because of the higher loan ceilings and interest subsidies. Firms currently receiving assistance and those eligible in the future may now be interested and qualify for larger loans, thereby increasing the average loan size.

It is assumed that one-half of the additional firms certified under Title II will receive financial assistance within three years, with a 1.1 ratio of direct loans to guarantee loans. In addition, it is estimated that of the firms eligible under current guidelines, forty percent are or would be at the current direct loan ceiling, and ten percent at the current guarantee loan ceiling level. If H.R. 1543 were passed, it is estimated that one-half of those firms would request larger loans, increasing the average size of direct loans to currently certified firms by $400,000 and the average size of the guarantee loans by $500,000 (at fiscal year 1980 levels). These averages are assumed to increase throughout the projection period as a result of inflation.

In projecting outlays for direct loans through fiscal year 1984, it is assumed that the average applicable Treasury rate is 7¾ percent, which reflects the estimated average interest rate on all U.S. interest-bearing obligations forming a part of the public debt, plus one-quarter of one percent per year. The average loan maturity is estimated to be ten years. Disbursements are estimated to be 75 percent of the first year and 25 percent the second year. Repayments are derived from annuity tables. The amount and timing of losses and repurchase rates are based on Small Business Administration loan program.

Costs of the loan program consist of administrative costs, losses, repurchase of guarantee loans, and the interest subsidy provided under Title II, less interest repayments. Estimated outlays and costs for financial assistance are summarized below:

[By fiscal years; in millions of dollars]

	1980	1981	1982	1983	1984
Estimated outlays:					
Direct loans	8.7	19.0	29.7	2.1	−4.6
Guarantee loans	.1	.5	1.7	3.3	3.4
Total estimated outlays	8.8	19.5	30.4	5.4	−1.2
Estimated cost:					
Direct loans	.5	.6	.4	.4	.6
Guarantee loans	.1	.5	1.7	3.3	3.4
Total estimated cost	.6	1.1	2.1	3.7	4.0

TITLE III

Title III authorizes the DOL and DOC to make grants available to labor and industry for economic efficiency studies. It is assumed that the maximum amount specified in the bill, or $2 million per fiscal year, will be appropriated in each fiscal year through 1982. Spendout rates are estimated at 75 percent the first year and 25 percent the second year.

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