

**TESTIMONY OF**

**Jane McDonald-Pines  
Workforce Issues Specialist, AFL-CIO**

**HEARING BEFORE  
THE SENATE FINANCE COMMITTEE**

***“Trade and Globalization: Adjustment for a 21<sup>st</sup> Century Workforce”***

**June 6, 2007**

**Testimony of**  
**Jane McDonald-Pines**  
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**Before the Senate Finance Committee**  
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On behalf of the more than 10 million working men and women of the AFL-CIO, thank you, Chairman Baucus, Ranking Member Grassley and members of the Committee, for this opportunity to testify on our recommendations for improving programs designed to help workers affected by federal trade policies.

While programs such as Trade Adjustment Assistance (TAA) are important, it must be emphasized that they are no substitute for good trade policies that create and retain good jobs in the United States. This is why the conversation about improving these programs should be separate from the debate over Trade Promotion Authority and trade agreements. Millions of workers are suffering from the displacement effects of our trade policies. The need to help them exists independently of the debate over these trade policies.

The TAA program must honor the promise made to workers since 1962: that the federal government will provide retraining, reemployment assistance, and income support to workers who lose their jobs due to federal trade policies. These workers are forced to pay the price for federal policy decisions that benefit other Americans, and they deserve to be made whole for their loss.

We believe that TAA’s greatest strength is that it supports long-term, intensive training and extended income support. Unfortunately, many laid-off workers are still not eligible for these benefits, and others are not receiving the benefits to which they are entitled.

Today I would like to focus on four key recommendations for improving and expanding TAA.

**1. No Worker Should be Denied TAA Training Due to Insufficient Funds**

**Funding for TAA training should not be capped**

To meet the commitments made to workers who are displaced because of federal trade policy, TAA must be accessible and available to any worker who qualifies. Specifically, there is no reason why any worker displaced because of federal trade policy should be denied TAA training due to a lack of federal funding.

Yet we know this is happening. Eligible workers who want and need TAA training are being turned away or put on waiting lists because their state training allocation has been exhausted. According to a 2004 GAO study 35 states expected that available TAA training funds for FY 2004 would not cover the amount they would obligate and spend for TAA-eligible workers -- 18 states estimated the gap at over \$1 million.<sup>1</sup> The most recent GAO report confirms that this continues to be a problem in many states.<sup>2</sup>

The current cap on TAA training makes no sense. Why should the commitment to trade-impacted workers be nullified simply because of bad program design, or bad planning by program administrators, or insufficient appropriations from Congress, or the state in

<sup>1</sup> GAO, *Trade Adjustment Assistance: Reforms Have Accelerated Training Enrollment, but Implementation Challenges Remain*, GAO-04-1012. September 2004.

<sup>2</sup> GAO, *Trade Adjustment Assistance: Changes to Funding Allocation and Eligibility Requirements Could Enhance States’ Ability to Provide Benefits and Services*, GAO-07-701. May 2007.

which the worker happens to live, or the timing of the worker's layoff?

Competition for scarce budgetary resources is no excuse for failing to lift the cap on TAA training. Help for laid-off workers has always been modest compared to the gains claimed for trade. The U.S. currently spends less than \$1 billion on TAA, while it is claimed that the U.S. economy gains \$1 trillion a year from trade. The U.S. ranks last among 21 high and median-income OECD countries in terms of the share of GDP devoted to active labor market policies such as job search and training. Only .14 % of the nation's GDP was devoted to these programs in 2003, compared to Denmark, which spends more than 5% of its GDP on unemployed assistance and 2% of GDP on active labor market programs. We spend about 1/10<sup>th</sup> as much as France and Germany do on active labor market programs.<sup>3</sup>

*The flawed system for distributing TAA funds must be reformed to improve efficiency*

The most recent GAO report confirms that the current method for distributing TAA training funds is inefficient and deeply flawed because the Department of Labor uses a formula that reflects past, not current, demand.<sup>4</sup>

This basic flaw leads to two undesirable results: (1) some states experience funding shortfalls at the same time that other states have unspent funds at the end of the fiscal year; and (2) many states seek to ration training services to keep within the constraints of their base TAA allocation.

The lack of a dedicated funding stream encourages states to husband their funding until the end of the fiscal year. While this incentive to self-ration has kept down the cost of TAA training in recent years, these savings are achieved by shortchanging workers.

This self-rationing is confirmed by the fact that training costs have been held down in recent years since states do not know what future resources they will receive. We have seen states like Michigan and Illinois experience shortfalls in training funds due to the extraordinary demand for help. Ohio has had to limit the duration of training due to funding shortages.

As the recent GAO report confirms, the incentive to self-ration training is that some states have unspent training funds left over at the end of the year. This inefficiency would not occur if states did not have to worry about running out of funding. DOL compounds the problem by withholding national reserve funds until the end of the fiscal year which skews the amount of unspent training funds.

Short of allowing workers to draw down from an uncapped federal TAA training fund, one alternative would be to model the system for distributing TAA training funds to the states after the system for distributing Unemployment Insurance (UI) state administrative grants. Each state would receive an annual base allocation for training, case management, and administration, which could be based on recent certifications. This base level of funding could be supplemented by a contingency/reserve that is responsive and readily available to meet fluctuating demands. Under this system, states would have less incentive to deny workers training and would be less likely to have unspent funds at the end of the fiscal year.

<sup>3</sup> Organization for Economic Cooperation and Development, *Employment Outlook*, 2003.

<sup>4</sup> GAO, *Trade Adjustment Assistance: Changes to Funding Allocation and Eligibility Requirements Could Enhance States' Ability to Provide Benefits and Services*, GAO-07-701. May 2007.

## **2. Make TAA Available to All Workers Displaced by Federal Trade Policies**

All workers who are forced to sacrifice their livelihoods so that other Americans may benefit from federal trade policies should be made whole for their loss, regardless of whether they were employed in the manufacturing sector. But **we cannot emphasize enough that expanding eligibility without a guarantee of adequate funding is an empty promise.**

### Cover service and public sector workers.

The TAA program does not currently cover the thousands of technology and service sector workers who find themselves jobless when their employers outsource their work overseas. TAA should be expanded to cover service and public sector workers who have been displaced by trade policy.

### Ensure that all secondary workers are served

In 2002 the TAA program was expanded to cover secondary workers, such as parts manufacturing workers who lose their jobs when the primary firm moves its operations to another country.

However, few secondary workers are receiving benefits. According to the latest GAO report, just 7 percent of workers covered by TAA were secondary workers in FY 2004 - 2006.<sup>5</sup> In an earlier report, GAO found that no state has developed procedures to identify workers who are secondarily affected by a trade-related layoff in another state.<sup>6</sup>

### Improve TAA certification

Many potentially eligible workers are not able to access TAA because the Department of Labor has erroneously denied workers' request for TAA certification.

In the past 5 years, courts such as the Court of International Trade have issued numerous orders directing the Department of Labor to reconsider erroneous denials of TAA to hundreds of trade-affected workers.<sup>7</sup> Workers have suffered protracted delays in getting assistance as a result of these errors. Many more workers become discouraged and give up, or lack the resources to pursue appeals.

While the Department of Labor has made some changes, Congress must require that the TAA certification process include a thorough review of TAA petitions – including full consultation with all affected parties, most specifically affected workers and their unions.

Industry-wide certification, in addition to improved outreach, would reduce some of the difficulties workers face in accessing and qualifying for TAA, and would make eligibility determinations more equitable, faster, and more predictable.

## **3. Improve Outreach and Access to TAA Training**

Since 2001 we have lost 3 million manufacturing jobs, many of them as a result of U.S. trade policies. Clearly only a fraction of eligible dislocated workers are being served by the current TAA training program. Many of the workers most in need of TAA training are already eligible, but are not able to access the program. In addition to ensuring that no eligible worker is denied training

<sup>5</sup> GAO, *Trade Adjustment Assistance: Changes to Funding Allocation and Eligibility Requirements Could Enhance States' Ability to Provide Benefits and Services*, GAO-07-701. May 2007.

<sup>6</sup> GAO, *Trade Adjustment Assistance: Reforms Have Accelerated Training Enrollment, but Implementation Challenges Remain*. GAO-04-1012. September 2004

<sup>7</sup> Judge Delissa A. Ridgway. Slip Op. 06-132. United States Court of International Trade.

due to insufficient funds, much more needs to be done to improve outreach and access and make TAA training a more viable option for dislocated workers.

*Fund outreach, case management, assessment, referral and support services through state Unemployment Insurance (UI) and Employment Security (ES) agencies*

As the most recent GAO report points out, there are no funds available under the current TAA program to pay for outreach, job matching, case management, and support services to provide workers with the help they need to transition effectively and make informed decisions about training.

It is not surprising that there has been a decline in TAA participation when resources to help workers enroll and participate in the program are so limited. The GAO report notes that in one state administrative funds were exhausted by the end of the first quarter. In another state Wagner-Peyser ES funds were able to pay for only a single case manager who "had to cover three counties and serve approximately 1000 workers."<sup>8</sup>

In past years, when resources were more substantial, states were expected to use state agency personnel in the Wagner-Peyser employment service to provide such services. This program, a companion to the state unemployment service, uses state civil service employees to provide labor exchange services, including job matching, counseling, skills assessment, and other services for job seekers and employers, statewide. However, in real dollar terms, Wagner-Peyser employment service state grants have dropped by \$200 million since 2001. The decline is close to \$700 million since 1985 in inflation adjusted dollars.

Neither Wagner-Peyser ES funding nor WIA funding should be expected to provide these needed services for TAA participants. This is robbing Peter to pay Paul. To divert these already limited funds to help trade-affected workers means providing less help for non-trade affected workers.

Increasing TAA funding for outreach, case management, assessment, referral and support services through the state Unemployment Insurance and Employment Service agencies is the most effective and efficient way to help trade impacted workers for several reasons. First, since TAA eligible workers are most likely to be identified first when they file for unemployment benefits and then Trade Readjustment Allowances (TRAs) with the state agency, strengthening the state agencies' ability to assist them with job search and other services as early as possible is important. Second, maintaining this function at the state level will help facilitate TAA coordination with the WIA state rapid response program. And, third, this statewide structure provides the flexibility to quickly move resources from one part of a state to another as circumstances change and to ensure a professional workforce to provide the complex services that workers need on a uniform and impartial basis.

*Improve the Health Coverage Tax Credit (HCTC)*

Most TAA participants will find it very difficult to participate in sustained training unless they have health insurance coverage for themselves and their families. In 2002 Congress created the Health Care Tax Credit (HCTC) to assist TAA recipients to receive affordable health care. However, Congress must improve HCTC if it is to be fully effective.

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<sup>8</sup> GAO, *Trade Adjustment Assistance: Changes to Funding Allocation and Eligibility Requirements Could Enhance States' Ability to Provide Benefits and Services*, GAO-07-701. May 2007.

*Increase Affordability*

In its most recent report, GAO states, “the high cost of the health coverage benefit to participants is the greatest barrier to participation.”<sup>9</sup> Congress should increase the subsidy to 90% and provide fallback coverage through plans like the Federal Employee Health Benefit plan or Medicare.

*Address Gaps in Coverage*

Delays in TAA and HCTC processing can mean laid-off workers have lapses in coverage that disqualify them for consumer protections necessary to get coverage. Congress should allow for presumptive eligibility so that workers who are TAA eligible are HCTC eligible and disregard lapses in coverage that occur through no fault of the worker.

*Improve Administration*

HCTC is a complicated program to administer. The Department of Labor and the Internal Revenue Service must work with the states to find ways to improve access to the tax credit for eligible workers.

*Expand training deadlines*

We know that one academic year of community college raises displaced workers' earnings by about 5 percent over and above what they would have been without further education.<sup>10</sup> Yet many TAA participants cannot enroll in training because deadlines for enrollment in training are too restrictive, Congress should extend the training enrollment deadlines to make it easier for workers to access training.

*Improve TAA income support*

In many states income support is not sufficient to enable workers to enroll in long-term training. The amount of the TRA is the same as the most recently weekly UI benefit – a national average of approximately \$260/week.

Prior to 1981, workers received TRA and UI combined that were equivalent to 70% of their prior pay, up to a maximum of the average manufacturing wage. Pending improvements in UI for all unemployed workers, restoring the 70% wage replacement benefit would significantly remedy this shortcoming and provide the economic foundation for workers to engage in long-term training.

**4. Provide Quality Training That Is Linked To The Creation and Retention of Good Jobs**

Improving access to TAA training and expanding eligibility are necessary, but not sufficient by themselves to make dislocated workers whole for job loss caused by U.S. trade policies. TAA training must be improved to put more workers on a career path towards good jobs with good wages and good benefits.

*Support strategies that focus on creating and maintaining good jobs*

A good jobs strategy must include policies designed to create and retain good jobs with good benefits. Congress should create early intervention and community adjustment programs that involve all stakeholders, including organized labor, in addressing the effects of dislocation and globalization. The Steel Valley Authority in Pennsylvania, for

<sup>9</sup> Ibid.

<sup>10</sup> Robert Lalonde. *The Returns of Going Back to School for Displaced Workers*. University of Chicago. Winter 2002. <http://harrisschool.uchicago.edu/About/publications/research-report/winter02/displaced-workers.asp>

example, is directly engaged in layoff aversion efforts to help retain good manufacturing jobs.

*Expand programs that promote partnerships between government, employers, and labor to support job retention and creation, as well as regional economic and community development*

Congress should support training that leads to good jobs, including properly structured on-the-job training, as well as model labor-management sectoral initiatives that have proven successful in saving jobs, improving wages, and making industries more competitive. We believe such high-road initiatives offer a stark contrast to wage insurance, which promotes downward economic mobility and subsidizes low wage employers, with no guarantee of on-the-job training that provides transferable skills.

There are many examples of high-road labor-management partnerships in manufacturing, health care, telecommunications, and hospitality. Through collaboration with government and community organizations, these partnerships assess industry skill needs, and implement programs that create career ladders and train workers in high-growth, high-wage occupations.

*Establish links between TAA and new opportunities in energy technology*

We are particularly excited about the opportunities presented by the potential for “green collar” jobs in the renewable energy and energy efficiency sector.

The Apollo Alliance -- a coalition of labor, business and environmental groups -- focuses on the development of “green collar” jobs that create sustainable economies, energy independence, good wages and benefits, and healthier communities. The Alliance estimates that as many as 3 million new jobs could be created over the next 10 years if the country launches a comprehensive effort to build a renewable energy future.<sup>11</sup>

These jobs would produce environmentally-friendly products and services such as construction of green schools, solar panel manufacturing, energy efficiency retrofits of homes, and environmental clean up and restoration.

Already, the renewable energy and energy efficiency industries are experiencing a lack of skilled workers. A 2006 study from the National Renewable Energy Lab (NREL) identified shortage of skills and training as a key business constraint. In particular, the NREL identified a number of critical unmet training needs, including lack of reliable installation, maintenance, and inspection services, the shortage of key technical and manufacturing skills, and failure of the educational system to provide adequate training in new technologies.<sup>12</sup>

As an example of one state’s response in Pennsylvania, Gov. Rendell is using state policies to promote and develop renewable energy to attract wind, solar, and battery manufacturing to the states. He has attracted companies that have taken former closed steel mills and created good union manufacturing jobs in building wind turbines.

*Invest in quality training programs*

Proponents of wage insurance sometimes argue that the existing job training programs do not work. This is a broad and simplistic statement. While some retraining programs have not always provided a smooth transition to equivalent employment, there is

<sup>11</sup> Apollo Alliance. *New Energy For America: Apollo Jobs Report*. [www.apolloalliance.org](http://www.apolloalliance.org).

<sup>12</sup> Margolis and Zuboy, *Nontechnical Barriers to Solar Energy Use: Review of Recent Literature*. National Renewable Energy Laboratory, 2006.

substantial evidence that retraining programs have benefited workers and can serve as the template for successful transitions for workers affected by federal trade policies.

We need to better understand how factors like economic conditions and, participant characteristics play an important role in determining outcomes for training. Workers participating in retraining programs often train for a new occupation and a new industry. Skills that are specialized for their previous jobs may not be compatible with a new employer.

Careful design of programs is essential. The answer is to improve the effectiveness of job training and education programs, not to encourage workers to forego job training. As noted earlier one academic year of community college raises displaced workers' earnings by about 5 percent over and above what they would have been without further education. Programs that provide long-term training for dislocated workers can have positive results and a significant return on the investment. For example, a long-term training program for dislocated workers in Washington State resulted in job placements that averaged 93% of the pre-layoff earnings.<sup>13</sup>

At this point, I would like to briefly address two other policy options targeted at dislocated workers – Unemployment Insurance and Wage Insurance.

### **Unemployment Insurance**

Since TAA is directed at a very narrowly defined set of workers who lose their jobs due to federal trade policy, other unemployed workers who lose their jobs due to trade policy or other causes must continue to rely on the Unemployment Insurance (UI) program as a critical safety net.

The UI system is in a state of disrepair and demands our urgent attention. Much more needs to be done to restore UI eligibility to a higher percentage of the workforce, to restore higher benefit levels, to repair the dysfunctional extended benefits (EB) program, and to address the severe under-funding of UI and ES administration.

We now have an opportunity to make a down payment on much-needed repairs to the UI/ES system. The Bush Administration supports extension of the FUTA surtax, which will generate \$7.4 billion over five years. The FUTA is a dedicated payroll tax whose purpose is to fund the UI system and we see no reason why this \$7.4 billion in additional revenue should not be dedicated to repairing the UI system.

For this reason, we very strongly support H.R. 2233, a UI reform bill recently introduced in the House of Representatives by Representative McDermott, as well as companion legislation to be introduced in the Senate. These bills would allocate as much as \$7.4 billion over five years to encourage states to modernize their UI programs. Among other things, both bill would provide incentives for states to support workers enrolled in training programs for high-demand occupations, which is an especially good idea that fits within a broader strategy of helping workers get good jobs. For more details about his legislation I refer you to the testimony of Thea Lee, Policy Director for the AFL-CIO, at the Ways and Means Income Support Subcommittee hearing on March 15, 2007.

### **Wage Insurance**

The preceding list of critically needed TAA and UI reforms is a long one: lifting the cap of TAA training; expanding outreach and access to TAA training; expanding TAA eligibility; making TAA

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<sup>13</sup> Washington State Workforce Training and Education Coordinating Board, *Training Benefits Program Review*. December 2002.



training a more viable option for dislocated workers by improving HCTC and TRA income support and repairing the ES/UI system.

We know these reforms cost money, and it would be optimistic to think that all these reforms could be funded today. So given the difficulty of the challenge, we believe it makes no sense at all to divert available funding away from this reform agenda to pay for wage insurance – either as an expansion of the current Alternative Trade Adjustment Assistance (ATAA) program, or as a larger-scale program available to non-trade impacted workers.

All of the TAA and UI reforms we propose are designed to put more workers on a career path of good jobs with good wages and good benefits. We are concerned that wage insurance, by contrast, would promote downward economic mobility, take jobs away from lower-skilled workers and subsidize lower-wage employers, as explained by AFL-CIO President John Sweeney in his recent letter to Senator Schumer (attached).

For a more detailed explanation of our concerns about wage insurance, I refer you to the testimony of AFL-CIO Policy Director Thea Lee before the Ways and Means Income Support Committee on March 15, 2007.

In short, we believe that the arguments for wage insurance are seriously flawed. The most commonly invoked argument for wage insurance is that it promotes “rapid reemployment” by inducing dislocated workers to consider and accept lower-paying jobs that they would not otherwise want.<sup>14</sup> If this is true, then we believe the intended outcome may not be good for workers’ long-term job prospects.

Helping workers find “rapid reemployment” in good jobs is a good thing, and programs such as the Employment Service (ES) that promote rapid reemployment by matching workers with appropriate employment need much more funding. But promoting “rapid reemployment” by getting skilled workers to take bad jobs rather than retrain for good jobs may not be good for workers.

To the extent that wage insurance does induce workers to take lower-paying jobs, it may also harm other workers who otherwise would have gotten those jobs. This was the finding of the only economic modeling on wage insurance that has been performed to date. Since the workers displaced by wage insurance would be lower skilled workers, this displacement raises serious equity concerns.

Some advocates of wage insurance claim that rapid reemployment is not their intention. They claim their intention is to mitigate hardship for dislocated workers who are already being forced to accept lower paying jobs. This argument ignores the fact that wage insurance is likely to induce workers to take lower paying jobs that they would not otherwise take, regardless of anyone’s intentions. And this rapid reemployment effect would cause displacement of lower skilled workers, regardless of anyone’s intentions. Advocates of wage insurance cannot say what proportion of the participants in a wage insurance program would accept lower-paying employment even without the wage subsidy, but it is clearly less than 100%.

The second most commonly-invoked argument for wage insurance is that it would subsidize employers to provide on-the-job training, which is claimed to be more valuable to workers than traditional TAA training, so that inducing worker to take lower-paying jobs might not harm their

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<sup>14</sup> See, e.g., Howard Rosen, Testimony Before the Ways and Means Subcommittee on Human Resources (May 4, 2006) (“Wage insurance is specifically designed to encourage people to return to work sooner than they might have otherwise”); Robert Litan, Lael Brainard, and Nicholas Warren, “A Fairer Deal for America’s Workers in a New Era of Offshoring,” Brookings Institution (May 2005) (“A main purpose of wage insurance is to accelerate the pace at which permanently displaced workers are reemployed”).

long-term job prospects.<sup>15</sup> However, there is no requirement that employers use any subsidy derived from wage insurance to give workers any kind of training, must less valuable training. This stands in contrast to employer requirements under the on-the-job training (OJT) program of traditional TAA.

Research tells us that lower-wage employers are the least likely to offer training that provides workers with transferable skills so this argument is more wishful thinking than anything else. Workers with the highest wages and the most formal education receive the most extensive workplace education, while workers with the lowest wages and least education receive the least extensive workplace education.<sup>16</sup>

To make matters worse, the employers that would derive a subsidy from wage insurance are, by definition, lower-wage employers. Wage insurance advocates need to explain how payments to individual workers would act as a subsidy for employers. One possibility is that wage insurance could subsidize employers by allowing them to pay lower wages to participants in the program. Another possibility is that it could operate to lower wage levels for non-participants.

Finally, advocates of wage insurance argue that dislocated workers are already suffering income loss upon reemployment, and this program cannot be ignored. We agree that the problem of income loss for dislocated workers is very real and cannot be ignored. But the question is what to do about it. We think the best response is to use available resources to prevent as many workers as possible from having to accept income loss, not to induce more workers to take bad jobs that they would not otherwise want.

Though information on the Alternative Trade Adjustment Assistance (ATAA) program is quite limited it is worth noting a story that appeared in the Los Angeles Times recently. The story described two workers who received wage insurance and are now employed by *Target* and *Krispy Kreme* respectively.<sup>17</sup> Though they are receiving wage insurance currently they are also worried about what will happen when their wage insurance runs out next year. What answer can we give them?

We do not accept that the problem is the unwillingness of stubborn workers to take bad jobs, so the solution is not to get worker to take bad jobs they would otherwise want. The problem is that there are not enough good jobs available and there are not enough resources available to help workers find and qualify for the good jobs that are available. It follows that limited budgetary resources should be dedicated to helping workers find and qualify for good jobs with good benefits, and for making sure those jobs are available in the first place. They should not be diverted to induce workers to take bad jobs.

Mr. Chairman and members of the Committee, we appreciate the opportunity to present our views on these vitally important issues and look forward to the opportunity to continue working together as the legislation moves forward.

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<sup>15</sup> See Lael Brainard, Testimony Before the Joint Economic Committee (February 28, 2007) The retraining that a displaced worker receives on a new job provides new skills that contribute directly to his or her performance in the new job and is thus directly useful not only to the worker but also to the new employer"); Howard Rosen, Testimony Before the Ways and Means Subcommittee on Human Resources (May 4, 2006) ("In addition, it is hoped that the new employer will provide on-the-job training, which has proven to be the most effective form of training"); Robert Litan, Lael Brainard, and Nicholas Warren, "A Fairer Deal for America's Workers in a New Era of Offshoring," Brookings Institution (May 2005) ("The retraining that displaced workers receive on a new job is the best kind...in sharp contrast to generalized training programs such as those available under TAA")

<sup>16</sup> Ahlstrand, Bassi, and McMurrer, *Workplace Education for Low-Wage Workers*, W.E. Upjohn Institute for Employment Research. 2003.

<sup>17</sup> "Aid plan for unemployed workers gains support." Los Angeles Times. April 9, 2007.

Attachment

May 3, 2007

The Honorable Charles E. Schumer  
United States Senate  
Washington, D.C. 20510

Dear Senator Schumer:

I am writing to express the AFL-CIO's concern about proposed legislation to establish a large-scale permanent wage insurance program, about which we have testified recently before two subcommittees of the House of Representatives.

In our testimony, we explained our concerns that such a wage insurance program would promote downward economic mobility by encouraging workers to take lower-paying jobs; that this would displace lower-skilled workers who otherwise would have gotten those jobs; and that wage insurance would subsidize lower-wage employers such as Wal-Mart.

We have also expressed concerns that funding for wage insurance would come at the expense of unemployment insurance (UI) and Trade Adjustment Assistance (TAA), especially since the Bush administration has proposed using state UI trust funds to pay for wage insurance and the conservative Heritage Foundation has proposed abandoning traditional TAA in favor of wage insurance.

We are told there is not enough money to uncap TAA training, which runs out of money every year. But if there is not enough money to uncap TAA training, how can billions of dollars be made available for a new large-scale wage insurance program? And how can wage insurance be truly voluntary if the funding cap prevents workers who want TAA training from getting it?

In addition, the Bush administration has proposed extending the unemployment payroll surtax, which will generate \$7.4 billion over 5 years. We believe that this dedicated funding stream should be used to reform and repair the frayed UI program. If it is not, any additional funding for wage insurance would effectively come at the expense of UI.

In short, we believe that wage insurance promotes downward economic mobility, takes jobs away from lower-skilled workers, and subsidizes low-wage employers. We also believe scarce budgetary resources should not be diverted away from much-needed improvements to UI, TAA and other programs designed to help displaced workers get good jobs with good benefits, which should have first claim on any newly available funding.

Thank you for your consideration of our views.

Sincerely,

John J. Sweeney,  
President

JS/WS/mrt

