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TRADE ADJUSTMENT ASSISTANCE FOR DISLOCATED WORKERS

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

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TRADE ADJUSTMENT ASSISTANCE FOR DISLOCATED WORKERS

THURSDAY, OCTOBER 3, 1991

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:20 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the committee) presiding.

Also present: Senators Baucus, Rockefeller, and Grassley.

[The press release announcing the hearing follows:]

[Press Release No. H-42, Sept 30, 1991]

BENTSEN CALLS HEARING ON WORKER ADJUSTMENT PROGRAMS, CHAIRMAN WANTS TO MAKE SURE ADEQUATE ASSISTANCE IS AVAILABLE

WASHINGTON, DC—Senator Lloyd Bentsen, Chairman, Monday announced a Senate Finance Committee hearing on the operation of trade adjustment assistance and other programs for dislocated workers.

The hearing will be at *10 a.m., Thursday, October 3, 1991,* in Room SD-215 of the Dirksen Senate Office Building.

"Properly negotiated, a free trade agreement with Mexico can keep and create good jobs for Americans. I won't support an agreement that doesn't increase the number of jobs in the United States, but we can't turn a blind eye to the fact that there may be some dislocations. Last spring, Congress agreed to a 2-year extension of fast-track legislative procedures for trade agreements only after the Administration said it would cooperate with efforts to make sure that adequate adjustment assistance programs are in place," Bentsen said.

"As the United States-Mexico Free Trade negotiations proceed, we need to take a close look at worker assistance—in particular the Trade Adjustment Assistance program and the Economic Dislocation and Worker Adjustment Assistance Act. I want to examine the current operation of these programs and what changes may be needed to deal with any dislocations that may arise from the free trade negotiations," Bentsen said.

"I encourage our witnesses to discuss their experiences with these programs and suggest ways to improve them," Bentsen said.

In a May 1, 1991 letter to Senator Bentsen, the Administration "committed to working with Congress to ensure a worker adjustment program that is adequately funded and that provides effective services to workers who may lose their jobs as a result of an agreement with Mexico."

TAA, authorized through September 1993 by the Trade Act of 1974, provides extended unemployment insurance, training, job search and relocation allowances for workers who lose their jobs because of import competition. EDWAA, Title III of the Job Training Partnership Act, was created in 1988 and is a general program that provides funds to states for local services to assist workers dislocated because of a mass layoff or permanent closing of a plant.

OPENING STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM TEXAS, CHAIRMAN SENATE FINANCE COMMITTEE

The CHAIRMAN. This hearing will come to order. Last spring as the Congress was debating the Free Trade Act with Mexico and Canada there was a lot of debate and concern about whether we were going to have a net loss of jobs. I stated then, and I repeat it now, if I became convinced that we are going to have a net loss of jobs I would certainly oppose this agreement. But I supported a fast track agreement to begin the negotiations.

Now, as I watch the administration working on this agreement I will be watching to be certain that a increase in jobs, and I am talking about good paying jobs, is obtained. There are going to be some winners and losers in this deal and we know that. Any government that enters into that kind of an agreement owes some responsibility to those individuals who are dislocated by such an agreement.

Last spring I stressed to the President and Chairman Rostenkowski that we needed a firm commitment from the administration to work with Congress either to beef up existing worker adjustment programs or to develop new ones to meet the challenge of the Mexican agreement. We received that commitment and I can tell you that it is important to winning congressional approval for the extension of the fast track.

It will be even more important once the administration brings a trade agreement back to the Congress. With that in mind, I will be taking a very close look at the programs for dislocated workers and what is done to help them.

I have asked our witnesses to suggest ways to improve these policies and to respond to the concerns raised about free trade with Mexico. For example, one concern we have heard is that workers will lose their jobs if companies move to Mexico and we know that a number of companies have, at least they have sent part of their work to Mexico.

As it stands, currently the trade adjustment assistance program will not help workers who are dislocated for this reason, unless imports cost them their jobs. Should TAA be modified to address this problem? Are there other programs that will help this worker? Are they adequate? What kind of changes do we need to have in order to assure adequate support for dislocated workers?

Those are the kinds of questions that I hope we will explore this morning. The answers will prove helpful in doing what is right for the American worker. That is what I am concerned about and I know other members of this committee, are as well.

I defer to my colleague.

OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM IOWA

Senator GRASSLEY. Thank you, Mr. Chairman. Thank you very much. I commend you as I commend you for holding most of the hearings, because they are very valuable to the process. This is a very important program that we are reviewing today, particularly how worker assistance programs are working and to examine the

ramifications of these policies in light of the current and future free trade agreements entered into.

In preparing for this hearing I researched information from the hearing that was held on April 24 in which we discussed proposals on the Enterprise for the Americas Initiative. As you will recall the proposal called for an Americas Investment Fund. The fund would provide up to $300 million annually in grants and in some cases loans to assist countries in prioritizing government-owned industries, advanced market oriented investment reforms, provide technical assistance and finance worker training and relocation.

Now I bring up this proposal because I am concerned that we must not neglect our American work force in our haste to shore up foreign economies with the expectation of future export opportunities.

There was an editorial in my State's leading newspaper, the Des Moines Register, sometime back articulating this point very well when it stated, and I would like to quote, "The United States remains the world's largest economy by far and it has impressive gains and exports in recent years. Despite the current recession there is no reason for gloom." But continuing, "There is reason for shoring up the U.S. economic foundations. Some basic maintenance was neglected for 40 years during which the United States diverted huge chunks of its wealth into fighting the cold war. Now compared to its main economic rivals the United States wastes the lives of far too many potentially productive people by leaving them in the ignorance and poverty. It borrows too much money to finance consumption while not saving and investing enough for the future. It has fostered a corporate culture that cannot take the long view. It has done nothing to reduce oil shocks. It has neglected its infrastructure." Then the last sentence, "If there is to be a new world order it will belong to those nations that have taken best care of their economies at home."

So, Mr. Chairman, I am concerned that any trade agree we enter into, whether it be Canadian, Israeli, now the Mexican negotiations or for that matter even the Enterprise for the Americas, that none of these initiatives have a negative impact upon the American work force.

In the instance of the Canadian agreement I see that as being a very worthwhile one. I hope it is the same for the Mexican agreement. In the final analysis and at the very least I want to be assured that we have an effective worker retaining and adjustment program in place.

The Des Moines Register is absolutely correct, particularly on this issue, when it states a new world order will belong to the nation that best takes care of its economies at home.

As you will recall from the hearings that we had on the United States-Mexico Free Trade Agreement, administration and witnesses concurred with questions that I asked, as did other members of this committee, to have worker adjustment assistance programs as part of a free trade agreement. I hope those witnesses that we have today will concur with that assessment.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator.

Senator Baucus, do you have any comments?

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA

Senator BAUCUS. Just a brief statement, Mr. Chairman. I think this is a very important hearing for a lot of reasons, primarily to show the credibility of the North American Free Trade Agreement negotiations; and also to show to American workers that we in Congress mean business. That is, we are going to stand up for what we say we are going to do in protecting displaced workers.

It is increasingly clear that with this global economy and with the security of workers in American businesses less secure today than in the past, that the administration and the Congress have to go the extra mile to provide meaningful, fair, responsible worker displacement assistance.

I must say, Mr. Chairman, that not too many years ago in my State of Montana, when Arco closed down its mine and smelter trade adjustment assistance program was a real God send. Were it not for that program, miners and smelter workers would have been just totally thrown out of work would have been destitute. That program saved them.

I think there could be some refinements and improvements of it. I would like to see a little more emphasis on retraining. But it is a program that made a big difference to those people. So as we approach the programs generally and specifically within the context of the North American Free Trade Agreement negotiations it is critical that we develop a program which gives some assurance to American workers that when and if there are dislocations, and there will be some, that the workers are paid attention to.

I look forward to working with the administration, the committee and others to make sure that we do meet that objective. It is a critical and essential component of the negotiations.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. Secretary, you hear the sentiment here, there are some real concerns. We had quite a lengthy and sometimes heated debate over the question of what happens to those folks that lose their jobs in the process, because some are going to. So we look forward to your comments, if you would proceed.

STATEMENT OF HON. ROBERTS T. JONES, ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING

Mr. JONES. Mr. Chairman, as I start let me respond in kind and suggest that your opening comments and those of your colleagues are in fact ones that we would support and agree with. I think we share here very mutual concern that as this agreement is put in place there is commitment to sit together and develop a program that is designed to ensure that people are able to return to work at the soonest possible point in a creative and productive way.

It is our intent to work with this committee and the Senate and the rest of the Congress in this process.

As the American economy restructures to become more competitive, as you indicated, it is inevitable that frictional adjustments caused by changing technology or processes, improved products or

new pricing policies, and other factors will result in worker dislocations.

These dislocations will differentially impact specific industries, geographic areas and groups of workers. Even in years of rapid economic growth recently such displacements have become common occurrence, reflecting the fact that in any dynamic economy some industries will expand while others contract.

Our primary objective should be to return dislocated workers to work as soon as possible, recognizing that some will need assistance in finding a comparable job, while others may need considerable help in finding and qualifying for suitable employment.

The enactment, in recent years, of comprehensive and flexible worker adjustment legislation supported on a bipartisan basis by Congress and the administration, has been a major step forward in aiding the economy's restructuring process. There is general agreement that it is in this country's interest to assist workers who have been displaced from their jobs through no fault of their own to quickly return to productive employment. We recognize the positive public investment in retraining displaced workers and assisting in job placement.

Now as we plan to deal with the potential effects of the North American Free Trade Agreement on American workers, which could include worker displacement, it is important that we consider what we know, what we have learned, about providing effective adjustment assistance to displaced workers.

We now have the benefit of many years' experience in administering and operating programs for dislocated workers under the Job Training Partnership Act and the Trade Act. In addition, we have funded demonstration projects, and there have been many studies of dislocated workers and the programs that serve them.

Our program experience and studies indicate that successful worker adjustment programs incorporate the following features:

First, and perhaps most important of all, is early intervention. Our experience confirms the critical value of very early intervention and the quick delivery of basic adjustment services for effective transition. It is well documented that the earlier the readjustment process begins the more effective will be the transition to new employment. If a worker waits too long to begin the job search process or retraining, he or she may become discouraged, drop out of the labor market, and the adjustment process becomes difficult. Early intervention is facilitated by early notice of layoffs and State capability to be at the site as rapidly as possible.

Second is emphasis on early return to work. Programs that provide incentives for workers to participate early in the adjustment period rather than simply receiving extended income maintenance speed the adjustment process. Extended income support may actually encourage workers to delay that process.

Third is broad-based eligibility. Many dislocated workers lose their jobs in small numbers and small establishments, as the ripple effects of larger layoffs and plant closings affect entire communities. Broad-based eligibility facilitates workers' entry into the adjustment programs and contributes to effective readjustment. The bottom line of that is that people in a community aren't particular-

ly impressed by the reason for their dislocations. They are in need of those services no matter.

Fourth is a full range of services. Programs that offer a full range of services we most likely to meet the needs of dislocated workers. It is important that there be in place a mechanism for coordinating those services and ensuring that they can be available.

Fifth, employee involvement in the adjustment process contributes to effective adjustment, particularly when there's a cooperative relationship between employees and employers and a mechanism for involving employees.

The Department of Labor administers an array of programs that assists segments of our dislocated population, including Unemployment Insurance, the Employment Service, Trade Adjustment Assistance, and the Economic Dislocation and Worker Adjustment Assistance Act, Title III of JTPA.

Unemployment Insurance provides temporary wage replacement to eligible workers that allow them to participate in adjustment programs such as job training. While the current UI program provides essential support to dislocated workers, it generally does not offer incentives for early adjustment or alternatives to income support.

The Employment Service serves as a clearinghouse for labor market information and provides individuals with job counseling, job development and job placement services. This assistance is available to every worker. The ES is useful as an assessment and referral agency, particularly for those who are readily employable.

The Trade Adjustment Assistance program, as you have indicated, provides adjustment assistance to workers who are dislocated by increased imports. TAA is an entitlement program. In order to receive program benefits, a dislocated worker must successfully negotiate a complex eligibility and certification process. Adjustment services are often provided long after the dislocation has occurred.

To receive weekly trade adjustment allowance a worker must be participating in a training program unless a waiver is obtained. Basic TRA is available for 26 weeks following exhaustion of UI benefits. A worker in approved training may receive a maximum of 78 weeks of regular UI and TRA benefits. In addition to paying workers' training costs and TRA, the TAA program also provides for job search allowance, relocation allowances and training-related travel and subsistence payments.

While there have been substantial improvements in this program over its long history, it still does not incorporate many of the features that help dislocated workers adjust successfully, such as early intervention, emphasis on rapid return to work, employee involvement and broad-based eligibility. Furthermore, the current TAA model responds only, as you have indicated, to dislocations in this country due to import competition, not to additional causes of dislocation which could occur for a variety of reasons under the North American Free Trade Agreement.

The EDWAA Program, under the Job Training Partnership Act, was created by the Trade Act of 1988 which amended Title III of JTPA, replacing it with a new comprehensive program designed to better serve the needs of all dislocated workers. EDWAA began operating in July 1989. It is designed to serve any jobless worker at

all who is unlikely to return to his or her previous industry or occupation. It is a State grant program with local delivery systems.

Eligibility for EDWAA is broad-based, easily determined, not being restricted or dependent upon the cause of dislocation. EDWAA provides for on-site, rapid response, utilizing specifically trained teams, often before workers are actually laid off; basic adjustment services; retraining services; needs-related payments; and labor management committees.

It also has innovative features, such as certificates for continuing eligibility whether or not training is available, and includes incentives for workers to begin their retraining early in the spell of unemployment.

Congress and the administration recognized EDWAA's flexibility by authorizing clean air transitions and defense conversion adjustment assistance under this program.

The administration has stated its firm commitment to work with the Congress to ensure there is a timely, comprehensive, effective and adequately funded program for worker adjustment services for those who may lose their jobs as a result of the Free Trade Agreement with Mexico. As NAFTA negotiations unfold, we will indeed work with you to ensure that there are programs that respond appropriately to the effect of NAFTA on specific industries, occupations and areas.

A program that serves those affected by NAFTA would incorporate the elements that have proven successful in helping dislocated workers: early notification and intervention; employee involvement; ready access to the full range of services; assistance that's widely available; and an emphasis on an early return to work.

We should not become side-tracked into a debate over whether TAA or EDWAA is the model that should be used, but instead focus on how best to help these workers. This is important for two reasons. First, we are not only trying to anticipate problems which may result from NAFTA, but in those communities we must be prepared to respond to dislocations that result from other causes. Second, more jobs will be created than there are lost due to NAFTA, and it is essential that we provide displaced workers with the training and skills needed at the soonest possible point to get them into that employment stream.

Mr. Chairman, we continue to make that commitment and we will be happy to join now, and as we go through this process, in any questions that you might have.

The CHAIRMAN. Well, Mr. Secretary, I certainly agree with your statement that it is not a debate over which model should be used, but rather how we could coordinate it, and how we can take care of the worker.

I like the early intervention idea. I think that is terribly important. I can recall the debates as we were working on the 1988 Trade Bill. We discussed this very issue. That solution impressed me. On the other hand, I look at more generous benefits under TAA for a period while they are in training.

How much coordination are we getting in these two programs? Are they competing or are they duplicating each other or do they supplement each other properly? Do you survey what the States do to coordinate such programs? Can you give me a feel for that?

Mr. JONES. Mr. Chairman, we have done several things. We have a set of standard operating instructions throughout the country on how these programs should, in fact, work together. We have run surveys to find out how many TAA people and EDWAA people are in each others' program and there is an overlap. There are substantial numbers of TAA people receiving training out of the EDWAA program.

There are some inherent problems. One of the most difficult, or I guess two if you put them together, there are only in the neighborhood of some 38,000 people being served currently under TAA and there are over a quarter of a million under EDWAA. One of those problems then is that in a particular plant if they have laid off 1,000 people, it may be that under the eligibility requirements of TAA only 50 of them get certified under TAA.

The CHAIRMAN. And you said it is a pretty complex certification process?

Mr. JONES. It is very complex, because there has to be an absolute, direct certification that the layoff was due to a trade-related impact in a major way. The maximum system that we have in place right now and we try to manage it that way is to ensure that that is done in at least 60 days. But it is a very difficult process, as the records of companies and all sorts of things have to be rendered to make that certification.

Meanwhile the other workers are all eligible under EDWAA, under early intervention, and we are in there working with them. So the two do overlap to some extent, but not to the degree they should.

The CHAIRMAN. That is one of the reasons I supported a six month notice on plant closings.

Mr. JONES. Yes.

The CHAIRMAN. Because I felt there was a need for early intervention. I watched it at a major refinery down in the so-called "Golden Triangle," in Texas, and it worked extremely well. The notice went out and then, through early intervention, workers found new jobs. Training took place, and it worked effectively.

Mr. JONES. There is just absolutely no question that that is the essential element in all these programs. I would point out that we have an enormous advantage under the NAFTA discussion. It is clear that we are going to agree on an adjustment package before the actual layoffs begin to occur. And, in fact, by the very nature of an agreement like this, if we can find a way to define the earliest of intervention dates—the current EDWAA law says you have to be on formal notice of layoff—if we can deal with that issue and we can be in those companies earlier, we can demonstrate very substantial success rates in dealing with people if they are currently employed and they are currently in the readjustment process.

You cannot do it if we wait 60 days, 90 days after the fact. That's the essential issue.

The CHAIRMAN. Tell me, do you have some studies underway regarding the effectiveness of the two programs and possible recommendations.

Mr. JONES. There are several. This committee has asked GAO to take a look and we are participating in that. We have some underway of our own, on both programs, and they will all appear here in

the next few months, or early next year in the midst of this debate. So we will have some information to look at.

The CHAIRMAN. Well, I must say there is deep concern, sincere concern, on the part of a number of organizations that there will be a net loss in jobs. Frankly, I do not think that will be the case. If I were convinced otherwise, I would vote against the treaty when it comes back.

But I was born and reared along the Mexican-Texas border. To see what is happening there, and then to go to Mexico and see what is happening there, shows me that there will be some jobs transferred to Mexico.

But then I hear from a number of companies that they remain world competitive by sourcing from abroad, like the Japanese do in Thailand and Indonesia. With that, they are able to actually have a net increase in jobs back at their home base in the United States. I sure hope that is right. We are betting a lot on it.

Senator Grassley?

Senator GRASSLEY. At this point in the negotiations on the Free Trade Agreement with Mexico and the administration's commitment to working for helping dislocated workers, what program, the TAA or the EDWAA, is the administration leaning towards for solving this problem?

Mr. JONES. Well I think, Senator Grassley, the Chairman made a point that is very important here; that TAA as currently designed is not operable in the broader Mexican free trade kind of an atmosphere. So I think we ought to accept the fact, and the administration's agreement accepts the fact, that we are going to have some legislative redesign of whatever we do. My testimony this morning is designed to suggest what the essential components are of that redesign as we do it. Clearly, both the Congress and the administration put those in place, as the Chairman indicated, when EDWAA was passed.

On the other hand, with the help of Senator Baucus, in the clean air discussions we made some adjustments to the EDWAA program because of the income maintenance concern to ensure that people who were in training could continue to receive a payment equal to their unemployment insurance until that training was completed, a concept that is not unfamiliar in TAA.

We have just in now 24 months or so begun to pull these programs fairly close together conceptually. The one EDWAA program contains many things that would be important in that final adjustment. But we have not at this juncture sat down and tried to answer that question.

One of the most important things that we need to look at before either you or we come to that conclusion is this question of exactly how these work groups are going to work out and what industries are impacted and where they are. There is an enormous difference between high tech industries and low-wage jobs. And we need to be sure we have some indication of what those are before we finalize this.

Senator GRASSLEY. Well as you go through this process you just described, can we use the United States-Canadian Free Trade Agreement as a track record in worker dislocated programs? Can it be used? Are you looking at it? If you can look at it and it can be

used, what do you see it teaching us as we go into the next step for the Mexican Free Trade Agreement?

Mr. JONES. We have taken a look at that and we will be continuing to do it on certain industries that are impacted. However, I think there is a rather substantial difference between that agreement and its industrial impacts and the Mexico Free Trade in what industries will be affected. One of these 13 working groups that are going on right now is trying to assess that and we do look back at that other experience to see what you can learn from it in making the final judgment.

But there is a substantial difference in the types of jobs, I think.

Senator GRASSLEY. So there is not really much comparison?

Mr. JONES. Not a lot.

Senator GRASSLEY. You don't expect it to be much of a track record?

Mr. JONES. There is some comparison in certain industries—auto and some others—but not in a lot of other industries.

Senator GRASSLEY. One last question, maybe just a little bit unrelated, but these trade agreements have something to do with our overall work force over the next few years. I wanted to refer to the commission that the Secretary set up on achieving necessary skills—SCANS. Could you tell me of any conclusions that have been reached by this commission on the ability of our work force to compete in the year 2000?

I ask this question, because as you know, critics have lambasted the study as flawed and I guess I want to see how seriously the administration is taking these critiques and how you see that impacting unemployment within a free trade agreement.

Mr. JONES. You had two different questions there. But the first and most important answer, Senator Grassley, is there is an enormous tragedy as we find structured industries in this country changing and dislocations occurring. There is absolute clear evidence that numbers of these people do not have the skills out of old industries to attach to the new kinds of jobs that are coming in place. That is the heart of that report. It tries to identify, hopefully for high school graduates what those skills are.

But, importantly, in certain industries we are finding very substantial numbers of people coming out to whom this program has to be able to deliver that kind of training, or those folks are not going to readjust no matter how many higher paying jobs are out there. It is an essential ingredient to build into every training program we have, those basic skills.

The critics of that report criticized it on two bases. One I find hysterical. It was the first time we wrote a report that was not a typical Washington report with 75 recommendations. It did not have any recommendations in it. It just identified the skills that are essential for today's labor market so schools and programs could deal with it. Because we did not cook up 75 recommendations, people were unhappy about that.

The second point they have made, which I find very distressing, is an argument that has now been printed several times that suggests that employers in America are not moving as fast as we all predicted in putting high performance work in place. Therefore, we

do not need trained workers. Therefore, why do you need to increase training levels until the jobs are in place?

The history of our European and Japanese friends since the war was just the opposite. It was a massive investment in the education and human resource equation in order to take advantage of a higher performance work place and to compete in that market. If we do not invest in that training equation first and foremost, up front, there will not be any opportunity for those people to work. That is an important debate.

That second point is one I do not subscribe to as I think a trained work force is essential to the competitive issue down the road. A trained work force that can in fact create, support, add to the competitive market, is absolutely the essential ingredient in that agreement. That is what that report addresses, and we will not be walking away from that at all.

Senator GRASSLEY. Okay, that answers my question.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Baucus?

Senator BAUCUS. Thank you, Mr. Chairman.

Mr. Jones, just speaking a little more concretely here. If we do negotiate a successful North American Free Trade Agreement, and I very much hope that we do, along with the Chairman I believe there will definitely be a net job gain, not job loss. But there will be some relocation.

I would like to ask you where you think that relocation will occur, which industries specifically, if you could name them please; and second, what conversations you have had with those workers or people representing those workers to begin to use that information to fashion a solution.

Mr. JONES. At the moment, since that is kind of a nebulous decision until we can get a closer fix on exactly which industries are impacted and when they are impacted and the when becomes extremely important here, we are working with each of the working groups that is in the discussion, beginning to define the parameters of these issues and tracking along to try and figure out exactly what the impact is and when it will occur.

Senator BAUCUS. But you have no idea where the loss might be?

Mr. JONES. Not directly at this point.

Senator BAUCUS. Have you seen the ITC report?

Mr. JONES. Pardon me?

Senator BAUCUS. There is an International Trade report which outlines where it believes there will be gains and losses.

Mr. JONES. I understand that.

Senator BAUCUS. Have you seen it?

Mr. JONES. Yes, sir.

There is also a variety of other folks who have views of exactly where that will occur.

Senator BAUCUS. Does the UAW have any concerns about jobs?

Mr. JONES. Surely.

Senator BAUCUS. Have you talked to them?

Mr. JONES. Yes, sir.

Senator BAUCUS. What kinds of solutions are you coming up with to address their concerns?

Mr. JONES. At the moment we are not designing solutions, we are trying to understand the impact. I think the issue here is when and where. There is a very important wide range as we begin to understand it, particularly listening to the Congress, that stretches itself over a period of 1 to 10 or 11 or 12 years.

It is important to understand where particular provisions come into place and when they impact that particular industry. The auto concerns are very specific, particularly on the supplier side. There is direct impact. No question. We agree. And we are all going to agree. The question is: When does that occur and exactly to what extent might it occur, as well as the Chairman's question of what is the net added value back on this side.

But I do not think there is any question that we all agree that there is an impact there. We probably all agree basically on what is needed to address that impact. The question is when it can be put in place.

Senator BAUCUS. I understand that.

Have you talked to USTR about to the timetable?

Mr. JONES. Yes, sir. We have been talking to them all the way along.

Senator BAUCUS. What is your understanding as to what the timetable is?

Mr. JONES. My understanding, which is certainly not an official reading on it, is it looks like that package will appear sometime next summer in the Congress and work through that process next year, the end of next year, or the following year. I do not know those time frames for certain.

As that occurs point the response on worker adjustment assistance must accompany that.

Senator BAUCUS. Does that mean that sometime in the next 6, 8, 10 months that your Agency will nail down where those job losses may be, if any, and how to fashion a result?

Mr. JONES. We will, indeed, be working parallel with that discussion to design the response system that we have agreed to do, and to do that with the Congress, so that the two of them are there together.

Senator BAUCUS. What do other countries do? How do other countries handle this problem?

Mr. JONES. I would say, having just spent a fair amount of time with a number of other countries, they do not handle it very well.

Senator BAUCUS. Which one handles it the best?

Mr. JONES. Well, I do not know what that means. There is a history in significant countries who have done so——

Senator BAUCUS. It means displaced employees who are getting retraining and assistance so they can very quickly and in a meaningful way get back in the work force. That is what it means.

Which country best accomplishes that objective?

Mr. JONES. From a systems standpoint in terms of retraining people who are displaced workers, we do it best right now. Most of those countries do not have a long history on that issue at all and when they do it is long-term income maintenance. Two or 3 years continued wage payment, that is it. They have not adjusted.

Japan and Germany and most of our Western European friends have not set up formal retraining systems for what you and I know

as dislocated workers. They have enormous investment in a dual system that builds the whole training equation much more than we do. But their history on the current dislocation cycles is not particularly good.

There is an enormous benefit that America has in the long run. We believe, our whole system believes, in the regeneration of workers and people. That has not been the case in Japan. You agree there to a guaranteed employment contract, stay there for life. The system is not designed to recycle people and move them on into other processes.

The income maintenance system in Europe is not designed for that. We returned from Germany no more than a month ago where the discussions with German companies were that they flat were not going to be subject to those high performance workplaces. They were going to try to do it a different way.

We spent a lot of time looking at their training system and dealing with your particular question. From a policy and system standpoint, we are probably ahead. European community people have made that one of their major issues with all of their member countries in examining how to do that.

We are working with their DG-V folks right now. They are spending nearly $15 billion from their social fund, mostly on readjustment kinds of systems, demonstrating and testing ways to do it. But there is no member country system probably as far along as the EDWAA/TAA debate itself in terms of returning people to work.

Senator BAUCUS. My time is up. Systems are important, but I am more concerned about results of people getting jobs.

Thank you.

The CHAIRMAN. Well, you surprised me with that last statement about West Germany. I would have thought that they would do something more extensive because of all of their corporate management training of workers. They make much of that themselves. So when you say that their workers are displaced and not retrained in something else, that comes as a surprise.

Mr. JONES. The concern is there. You are right. The investment level clearly is higher than ours and their historical involvement in such systems is higher. But when we get down now to this new issue of formalized adjustment systems that are designed to return people to work you are dealing with structured economies whose policy was to maintain people on long-term benefit systems not to regenerate. Now they are having to change that. It is a major concern and issue.

Mr. Baucus, I agree with you. The success issue really is the only issue here. Our current systems, if we can continue to stay in a rapid response mode and move early on into the process suggests that we ought to be succeeded at our current rates at 70 percent or better, success rates of putting people to work. I dare say that is the bottom line of this discussion and we can do better than that. We ought to hold ourself to that.

The CHAIRMAN. Seventy percent of these people you are having to train are placed into other jobs?

Mr. JONES. Job placement and attachment following the program of everybody who is coming through it right now.

The CHAIRMAN. Let me also say to you, I understand you have to further define the problem within these studies. You have not proposed recommendations or solutions, but the time is running out on us. The administration, Mexico and Canada, much more than in the Canadian agreement, are pushing for an early agreement.

We are not going to pass any agreement here unless we have some serious approaches to improving the system of retraining displaced workers. It is imperative, I think, that you fellows in the Department of Labor who are studying this problem give us some good, solid recommendations. We are interested in hearing them.

You have the facilities to study it far more than we do here in the Congress.

Do you have any further questions?

Senator BAUCUS. I would just like to echo and second the Chairman's remarks that as far as this Senator is concerned we are not going to pass it either until we address that problem and find a good solution.

Mr. JONES. The agreement that is in place says we have all agreed to that, that we are both going to do it timely with the agreement. We are going to do it with the Congress, not independently, and we fully intend to do that as this process develops.

The CHAIRMAN. Thank you very much, Mr. Secretary. We will be looking forward to those comments and suggestions.

Mr. JONES. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

[The prepared statement of Mr. Jones appears in the appendix.]

The CHAIRMAN. Our next witness is a panel with Mr. William Grossenbacher, who is the administrator of the Texas Employment Commission and the president of the Interstate Conference of Employment Security Agencies from Austin, TX.

I am delighted to have Mr. Grossenbacher here from my State which will probably be more involved with this agreement than almost any other State. It will have an immediate impact upon it.

We are also pleased to have Mr. Andrew Richardson, the commissioner of the Bureau of Employment of Charleston, WV.

Senator Rockefeller wanted to be here. He has very high regard for you. He has been detained at the Commerce Committee where I also should be, but I just cannot be in both places. But he has several legislative initiatives that are pending this morning. Frankly, he is holding my proxy on them. I know you are a good friend of Senator Rockefeller and you served with him during his years as Governor. And you, too, have years of experience in your State with these programs. We look forward to your testimony.

Mr. Grossenbacher, we are delighted to have you. If you would go ahead.

STATEMENT OF WILLIAM GROSSENBACHER, ADMINISTRATOR, TEXAS EMPLOYMENT COMMISSION, AND PRESIDENT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, AUSTIN, TX

Mr. GROSSENBACHER. Thank you, Senator. We are from Texas, from the Texas Employment Commission, we have talked in depth with a lot of our TAA/TRA staff members and have submitted

written testimony that goes into some detail in terms of specific recommendations and what have you on the topic.

What I would like to do this morning perhaps is just briefly cover four or five points that I think the committee would be interested in and certainly are of great interest to the folks in the Texas Employment Commission who administer the program.

Just some general comments in terms of TAA/TRA. As you mentioned we are one of the prime operators of that program in Texas and, of course, Texas has been impacted heavily and we have used the program we think very effectively. On any given month we have over 2,000 workers in training, retraining programs and so forth.

Just to give you just a little short snapshot of what we are doing in TAA, for instance, I asked for a list of some of the more general retraining categories that we are training workers in and I was given a list including computer data processing, accounting, word processing, law enforcement, drafting, cashier, legal assistant, surgical technician, pharmacy technology, registered nursing, hydrology, aviation maintenance, computer repair, truck driving and air frame power plant mechanics, things of that nature.

So I tell you that to make the point that the training that is done under the Trade Act is substantial training. It is in growth occupations and it does end up producing an individual who truly has been retrained and can reenter the work force in a career as opposed to just another job and at a wage level that is sufficient to support both the worker and the family.

Our successful completion rate of training in Texas is approximately 60 percent of all the individuals who enter training. If we consider those individuals who are in training, but are recalled, that leave training to go back to work at the plant or what have you, then our completion rate is approximately 80 percent, which we feel is an exceptional completion rate for a program of this nature. So we point out again that trade adjustment assistance is a very effective program.

The CHAIRMAN. Let me ask you, because I am interested in the 70-percent figure cited by Mr. Jones. Are we comparing apples to apples on that? How do we arrive at that number? How are you doing compared to his criteria at which he established his 70 percent, better or worse?

Mr. GROSSENBACHER. Well, I am really not sure exactly what their criteria is.

The CHAIRMAN. Okay.

Mr. GROSSENBACHER. We looked at those over the last year who actually completed the training course, and came back in to the system. Then we worked at reemploying them in the occupation. Over 60 percent actually completed the training.

When I asked my staff, why do we have the dropouts or give me an analysis of the dropouts from training. Staff told me that approximately 20 percent are recalled by the company for which they previously worked.

To explain the rest of the dropout rate which is basically 20 percent there are two key reasons. One is that they have run out of their income assistance benefits prior to the training being com-

pleted; and second, some have just not been able to exist on the size of the income supplement that is given under the TRA program.

My staff said to me, please, if you say anything else in testimony, emphasize the fact that some sort of income maintenance with the job retraining program is critical. And, as I was going to mention a little bit later, we find that to be one of the key differences between the trade program and the EDWAA program. EDWAA does not really provide an income maintenance component. In Texas, those of us who administer the program feel that that is a critical piece.

There are a few other areas that I would like to mention. While we feel that trade has been very successful, I think it was mentioned earlier that it is a very complicated program. In our written testimony, we have gone through five key areas and have provided recommendations, some on a very broad policy scale, and some very specific in terms of what we think needs to be done.

We have covered recommendations in the petitioning process, the Federal regulations that we operate with, job search and five, I think, good recommendations in the allowance area, since that is such a critical piece of the program; and then we would like to make some recommendations in terms of support.

We have received very little administrative financing to run the trade program in Texas. In fact, we have been in order to make it as successful as we have, we have been able to convince the Governor to allow us to use portions of what we call the 10-percent money or Governor's discretionary money out of our basic employment service grant to staff positions to administer the Trade Act. It is a complicated program and it is a very individualized program. It is very difficult to do that without trained, designated staff in our local offices.

The CHAIRMAN. How many people do you have in training across the State? How many people are in training under your programs, both of them?

Mr. GROSSENBACHER. In staffing——

The CHAIRMAN. No, I am not talking about your administrative group.

How many people are being trained under the two programs in Texas at the present time would you say?

Mr. GROSSENBACHER. Senator, like I said, on any given month we have over 2,000 in training under TRA and I really cannot answer the one on EDWAA. One of the issues I was going to bring out on the coordination with EDWAA, in Texas under JTPA we have 35 service delivery areas. And under the process that is used in Texas, the EDWAA money or the Title III money is allocated on a formula basis to those 35 separate area.

In some of those areas the employment service is a contractor and we work with Title III programs; in some areas we do not. So because of the diversity of how Title III is handled under JTPA, I will be honest, I really cannot answer how many people are actually in training in the EDWAA program today.

I can talk to our Department of Commerce that is the administrative entity for JTPA and I can probably get those numbers for you and get them to your office.

The CHAIRMAN. I would like to know. I would like to know really the impact and significance, how far it is going.

I have interrupted you. Go ahead.

Mr. GROSSENBACHER. That sort of just led into my next point. We have talked a lot about the coordination between trade and EDWAA. I would point out some of the real difficulties between the two programs. We do not have a standard approach to testing, assessment, institutional criteria, and approval of institutional training. Both programs have quite different criteria.

Coordinating between EDWAA and Trade has been a real learning process for us. I think the Secretary General mentioned this morning in many areas we have trade-affected individuals in training paid by EDWAA but with trade providing the income assistance while they are in that training.

I will say that with 35 separate entities administering EDWAA in Texas, it is a very difficult coordination process.

With respect to the North American Free Trade Agreement, or NAFTA, just 2 weeks ago I was at a meeting with State Senator Sims in Del Rio, TX, and we were discussing the implications for the trade agreement, particularly in the valley area. We have some very specific concerns.

One of the things that I would point out is that in trade we have usually dealt with workers in manufacturing. One industry that that will be impacted is the agricultural industry, and we have very little experience in terms of a trade-type program with agricultural workers.

We would point out that many of the requirements, processes and procedures in trade will be very difficult to administer when dealing with an agricultural worker pool.

We also know that some 60 percent of employment along the border areas has to do with retail trade. Much of that retail trade is selling to Mexican nationals who come across and buy on the American side. There is some real concern in the retail sales industry along the border that there may be some severe dislocation because of the free trade agreement in that area.

So, in that case, we are probably working with workers who are dislocated from very small businesses, four and five employees perhaps. It will be very difficult to apply the petitioning process to that type of dislocation.

Finally, when we work with agricultural workers, or in fact, in many cases when we work with workers in the valley area, we find that some basic skill training must take place, such as English as a second language, areas that we have not encountered, perhaps with Petrol Chemical or other trade -affected businesses.

So we see a whole new set of problems or a whole new set of criteria that we are going to have to address when the free trade agreement goes into effect and when it actually becomes clearer to us where the impact really lies.

Just a final comment. I think the consensus of opinion among myself, a number of my fellow administrators, and my staff is that what we really truly need is a dislocated worker program that deals with dislocation, period. It is not one that is focused just on trade dislocation; not just on import dislocation; we need to rethink

and redevelop a new umbrella program that we in the states could administer that simply deals with worker dislocation.

I would just say that our experience leads us to identify four major components that we would really like to have considered when thought is given to redrafting a program or constructing a program.

One is the assessment in job search. We have found using early assessment, early intervention in job search enables us to move a fairly large number of dislocated workers quickly back into the work force without long-term intensive training.

We have perfected job search operations over the years. We learned through trial and error during the oil price crash in the State where all of a sudden we had vice presidents standing in our unemployment insurance lines and we had to deal with a totally new kind of client that we had not seen before.

We developed job search seminars enabling individuals to go out and network and find jobs on their own since we did not have high paid, highly professional jobs of that nature in many job banks. We think we have perfected that sort of process and we feel it can be used very effectively in a dislocated worker program.

Second, the long-term training and retraining is an essential part for those who truly need new skills, but income maintenance must be a part of that program.

And finally, we think more and more we are going to be involved in remedial basic skills training or English as a second language on the front end before we can move individuals into high-skilled technical retraining programs.

We would recommend that income maintenance for both of those components be made available. We, in fact, find it is very difficult to find a worker with a family who can afford to go into a retraining program for 18 months without some sort of income maintenance. It is just very difficult. So, we thing the income maintenance is critical.

The CHAIRMAN. All right.

Mr. GROSSENBACHER. I appreciate the opportunity to come. I know that perhaps it is a little bit of a disjointed presentation. But if there is interest in very specific recommendations they are included in our written testimony, and I would happy to answer any questions.

The CHAIRMAN. Fine.

Mr. GROSSENBACHER. Thank you.

[The prepared statement of Mr. Grossenbacher appears in the appendix.]

The CHAIRMAN. Commissioner Richardson.

STATEMENT OF ANDREW N. RICHARDSON, COMMISSIONER, BUREAU OF EMPLOYMENT, CHARLESTON, WV

Mr. RICHARDSON. Thank you very much, Mr. Chairman. I want to express my appreciation first to Senator Rockefeller, if you will convey my best wishes. I have known him since high school and very much enjoyed working in his administration and probably would not be in public service today if it were not for the influence he has had on me.

I would also like to express my appreciation to you personally and to the Chambers of both Houses for their efforts to extend the unemployment benefits for the workers in this country. On behalf of those workers and specifically West Virginia's unemployed we very much appreciate your efforts.

I am here today to voice support for the trade act program and its model under the readjustment efforts that this country has. My testimony, the written testimony, tries to blend simple solutions and some creative policy initiatives to provide some ideas on more effectively serving America's workers that are dislocated by imports.

As far as the simple solutions go, we have talked some thing morning about early intervention. One idea that I would suggest is that we draw on the WARN notice that has been set up under EDWAA and make that automatically a petition for certification on the dislocated program for trade impacted dislocated workers.

The second would be to speed up the decision making process for the U.S. Department of Labor to perhaps 45 days. And between the WARN notice and the 45 day requirement with the length of period involved in the WARN notice we would actually have a decision on whether these individuals would be certified for these benefits before the actual dislocation occurred.

We would also suggest that workers be given some limitation on how many years they have to enroll in a training program under the trade act benefits. We have people many years after the actual dislocation seeking to enroll and it becomes an administrative nightmare to go back and prepare all the documentation involved in that.

Also, to promote integrity, fairness and simplicity, some other simple solutions that I would suggest is to allow monetary benefits for the workers during school breaks. This has been a source of great frustration that in the winter break in a vocational education school an individual is not able to have any monetary assistance during that period. Here it is Christmas time and we are pulling out the support mechanism.

We would recommend only one relocation allowance and come up with a mileage figure. I know these are technical amendments but as bill noted this is a very complex program and technical program and we would like to see it simplified.

An additional simple solution, as I call it, would be to streamline the administrative process through one State. Interestingly enough Bill's written testimony recommends that it is the State where the worker lives. My written testimony recommends that it is the State where the petition occurs. It really does not matter. It ought to be one or the other. We have had conflicts with Ohio and Kentucky and we do not really like those border clashes among the States.

So those are some of the simple types of ideas that we have that we believe would make the program work more efficiently and serve the dislocated worker more effectively.

The second area is the creative policy initiatives. First to echo what has already been said today, monetary assistance in this program is critical, whether it is the Trade Act or other programs, and I am glad we will have it with the Clean Air Act. You cannot expect an individual to go through a retraining process if they do

not have some type of monetary support helping them pay the bills while they are going through that process.

Basic skills. There are no jobs left in America that do not require a measure of basic skills for reading and writing and simple mathematics. If we are going to have successful retraining programs we have to focus on the basic skills components and right now the trade act does not adequately do that.

We would suggest that the program should not only look at the impact that a dislocated worker experiences, but it should also look at the impact on the community. Whether it is helping with the redevelopment of the plant that closes or redesigning the vocational education system of a State, training the trainers as it were to prepare products and training services for the kinds of jobs that are emerging in today's and tomorrow's economy, we need to reinvest in the area where the dislocations are occurring and not merely help the worker get retrained.

We see workers leaving our area. We have had tremendous population losses in the 1980's and many of them have been due to imports. As these workers leave we pay for retraining programs and they find employment elsewhere and they have to leave their home and family. While many of our efforts are currently geared toward returning those folks to West Virginia, this program would be helping to keep them there through a more focused reeducation process through our vocational system.

The job search enhancements are also critical as our the adequate appropriations. I would merely suggest that there is a really a bigger picture here and it does relate to the services to all dislocated workers. Whether it is the basic unemployment compensation system, the import impacted training programs, the EDWAA program of JTPA, Clean Air, Endangered Species, Defense Department cutbacks, we have created a plethora of programs and we have created them, it is my understanding as I have educated myself about the process, that these programs are under the jurisdiction even of four different committees in the Senate.

We need a single program to help the dislocated worker in this country and TAA provides the best model to begin from in designing this new integrated program. We have designed programs based on what has happened, let's say the cause—imports, Clean Air or whatever. Really the cause does not matter. What does matter is that we have an individual who has lost a job and does not have the skills necessary to return to employment and the job is no longer there. We have got to provide monetary support and retraining to get them back into the work force.

So the key elements of an integrated program would be early intervention and WARN and EDWAA have some features there that certainly need to be drawn on, the monetary support while in training, adequate resources for the administration of the program, basic skills and a heightened emphasis on job search.

The trade act program, again in my opinion, represents the best model to begin work from on an integrated program, but the time truly is here that we begin to invest in the individual to promote their regaining the dignity and security that a job brings that they have lost after dislocation.

Thank you for the opportunity to share my thoughts and I would be happy to answer any questions.

[The prepared statement of Mr. Richardson appears in the appendix.]

The CHAIRMAN. Well, both of you are recommending an extension of time as far as income support, up to 2 years. We have real limitations financially in the country, you know, because of the deficit we are facing.

Give me an idea of the kind of compensation a person can get while in training. Is there any overlap? Do they draw from more than one source? Do they all end up with the same level of compensation? Show me the kind of program that takes 2 years and some of those that take a year. Give me an idea for those examples. Will you?

I listened to Mr. Grossenbacher talk about the Rio Grande Valley. You are talking there about people for whom English is not their first language in many instances. It is very difficult to get them into the economic mainstream. That is part of the problem. I know they are going to take a hit in fruit and vegetables. I think as far as grains, it will probably be a different story.

Mr. GROSSENBACHER. Correct.

The CHAIRMAN. There will probably be an increase in the export of grains to Mexico. But all you have to do is go down to Mexico and see what they are doing in the way of developing more fruit and vegetables. They are doing away with "ejido" approach pretty well and you are seeing big corporations, U.S. corporations, putting these plots together into one unit.

So give me a feel, will you, of the difference in the types of training lengths.

Mr. GROSSENBACHER. Well, Senator, it is a bit difficult to do that because as I said because of the individual nature of the TAA programs. But basically——

The CHAIRMAN. Just pick some examples. Tell me something that is going to take 2 years of training. Tell me something that takes a year of training.

Mr. GROSSENBACHER. Go ahead.

Mr. RICHARDSON. We have a program. It is a model program. Trying to meet the needs of rural health care in West Virginia and the aging of our population. We have a program that is at Southern West Virginia Community College to train people to be licensed practical nurses, retraining them into a completely new type of home health care environment. It is an emerging occupation. That is a 2-year program.

There are other activities though that are merely weeks of training and preparation for the basic skills, computer operator types of jobs. Sometimes there are only 15 or 20 week training courses. So it depends on the individual occupation that you are retraining someone for as to how much time it takes.

I do not believe everyone should have 104 weeks of monetary support and 104 weeks of training. Because there is redundancy and waste in an environment like that. But I do believe if we are going to expect these people to perform well in their classes they have to have the security and the peace of mind that the bills are going to be paid.

Right now EDWAA does not do that. And TAA, if it is more than 78 weeks, that is as much of the TRA as you get, is you can get 78 weeks if you are in a 104 week program.

The CHAIRMAN. Give me an example of what the monthly payment would be.

Mr. RICHARDSON. The monthly payment is tied to what your unemployment compensation would be. In fact, the first 26 weeks of training is the unemployment compensation weekly benefit amount. In West Virginia that is 70 percent of your wage, up to a maximum amount. So it would vary from State to State.

The CHAIRMAN. In West Virginia, what would be the maximum amount?

Mr. RICHARDSON. The maximum amount for unemployment compensation in West Virginia is $263 a week. That is adequate in our environment. The average is probably closer to $160 a week. I imagine Texas——

Mr. GROSSENBACHER. Very similar. The average weekly benefit amount in unemployment insurance today in Texas is approximately $160 a week. That is the average.

The CHAIRMAN. Senator Rockefeller.

Senator ROCKEFELLER. Thank you very much, Mr. Chairman. We finished our Commerce mark-up with the expected results, similar to last year.

I wanted you to know, Mr. Chairman, how good Andy Richardson is. I say that because he is intrinsically good and also because he was smart enough to have made himself known to a former Governor of West Virginia with whom he worked very closely. He is extremely sensitive on all of these issues.

Andy, when you talked about expanding TAA to allow States to fund special vocational education opportunities, what kinds of things did you have in mind that would seem useful in terms of West Virginia?

Mr. RICHARDSON. In West Virginia our vocational education system which is trying mightily to change is really engulfed in old occupations. What we really need to do is recognize the need to train the trainers and to provide the educational resources at the vocational education level to ensure that we are retraining our workers for jobs that are emerging in today's labor market.

I would suggest we take labor market information trends and tailor preparation of our vocational system to the trends indicators and what we see coming forth in tomorrow. I mentioned a moment ago our project at Southern West Virginia Community College. As you know better than perhaps anyone in the Senate home health care for the elderly is of growing need in this country because of the aging population and the homebound services that seniors need.

There are jobs as a result of that. There are jobs where folks come and do very modest assistance to someone who is homebound. I recently experienced that first hand with my father, as people came and helped when he was homebound. Those types of programs are opportunities for new employment in tomorrow's economy.

If a mine or a manufacturing facility is no longer going to be there we have got to ensure that we have a vocational system and

a retraining system in place that responds to that. If those jobs are no longer there because of whatever reason, whatever cause—imports, clean air, whatever dislocation it is—we not only need to invest in the individual, but we need to invest in the training and vocational system to ensure that these systems are capable of providing employment training and education that is designed to keep those folks at home.

Senator ROCKEFELLER. Mr. Chairman, I cannot help in a hearing that has anything to do with TAA to think of all the work that Senator John Heinz did over many years to try to make it better. I recall with great enthusiasm what he and I, and of course the Chairman and others working together on TAA problems did in the trade act to provide a reasonable opportunity.

A final question. Can you just indicate the significance of lack of finance support in terms of the behavior of somebody trying to pursue training or not pursue training?

Mr. RICHARDSON. It is very hard to stay interested and excited about an effort to reeducate yourself. You know, the reeducation process is a very trying process under the best of circumstances. But with no monetary support, when you are worrying about the bills, you do not study as well, you do not pay attention as well, you begin to not attend class. We know that dropout incidents increase substantially after the monetary support ends in the current program.

Without the monetary support people will sacrifice the ability to go through the retraining and prepare themselves for higher paying positions at the end of that retraining period and instead go for lower pay just to pay the bills. Lives are affected permanently.

It can be the difference between a person being able to send their children to college. It could be the difference between adequate payment of the health bills when problems arise, the devastation that a family suffers because they have not been able to fulfill the investment in reeducation and retraining is a tragedy.

Senator ROCKEFELLER. I share the witness's view, Mr. Chairman, and I thank the Chair.

The CHAIRMAN. Thank you.

Thank you, gentlemen. That is helpful to better understand it.

Mr. RICHARDSON. Thank you.

Mr. GROSSENBACHER. Thank you.

The CHAIRMAN. Our next witnesses, Mr. Sheldon Friedman, who is an economist with the Economic Research Department of the AFL-CIO; and Mr. Barney Oursler, who is coordinator for Mon Valley Unemployed Committee, in Homestead, PA.

Mr. Friedman, if you would proceed.

STATEMENT OF SHELDON FRIEDMAN, ECONOMIST, ECONOMIC RESEARCH DEPARTMENT, AFL-CIO, WASHINGTON, DC

Mr. FRIEDMAN. Thank you, Senator Bentsen. I appreciate the opportunity to be here today, and want to thank you for holding hearings on this important topic.

You mentioned earlier the employment impact of the proposed free trade agreement. While that is not the central focus of my remarks, I do not want to lose the opportunity to call to your atten-

tion a new study, one that I just found out about yesterday, by four professors based at the University of Massachusetts and Skidmore College. It projects that if the free trade agreement is implemented, the net employment loss to the United States as a result of increased foreign investment would range from 30,000 to 50,000 jobs in the first year, and would be more than 400,000 jobs by the end of the decade.

I know there are studies all over the map on the employment impact of NAFTA. No one knows, frankly, what the employment impact will be. There is a high probability, however, that there will be substantial job loss to the United States; certain other studies also reach that conclusion.

Regardless of whether the net figure will be plus or minus, there is no denying that many workers will be dislocated. Some jobs may be gained, others will be lost. But there will be a very wrenching and painful transition for a lot of people in this country, working people whose lives are going to be disrupted.

We certainly need policies to compensate these victims of NAPTA. Many workers are going to desperately need such assistance. The program that has had the mission historically of compensating and assisting trade-injured workers is, of course, the Trade Adjustment Assistance (TAA) program. The AFL-CIO believes that, given the right kinds of improvements in this program, TAA can be the appropriate vehicle for compensating and assisting workers who would be injured by the proposed NAFTA, or other trade initiatives of this administration or any other.

Unfortunately, America's workers have had a long history of unfulfilled commitments in the area of trade adjustment assistance; even now we face an administration that is extremely hostile to the program. As recently as in the fiscal 1992 budget, they proposed yet again to kill the program. This administration and its predecessor have proposed killing TAA repeatedly throughout the last decade.

While they have not succeeded in totally killing it, they have, frankly, gutted the program; it is now just a shell of what it formerly was. It would be a grave injustice if workers who would be injured as a result of a proposed NAFTA agreement are not helped by improved TAA.

The choice has been posed as to whether it would be better to improve TAA to help the workers who would be injured by NAFTA, or to look instead at the EDWAA program as the vehicle for delivering support and assistance to these workers. In the opinion of the AFL-CIO, there is really no choice at all.

EDWAA, whatever other merits it may or may not have, simply cannot be the vehicle for compensating workers who are injured by trade. The primary reason for this is that there is essentially no income maintenance under the EDWAA program. What tiny bit there is, is not an entitlement. It is very important to be clear that if we are really interested in compensating workers, and helping them adjust to the trauma of permanent job loss, there is no way they can be retrained and make a successful adjustment without income maintenance and income support.

Even without income support, EDWAA is woefully underfunded. It currently serves fewer than 300,000 workers a year. According to

the Department of Labor's own estimates, there are on the order of 2 million dislocated workers each year. We are talking about a program which reaches, even with the most minimal of assistance, only about 15 percent of the country's dislocated workers.

TAA is a far better vehicle. It needs to be a true entitlement program—an uncapped entitlement. It needs a number of other improvements in its operation, so that workers who in fact are injured by trade and trade initiatives such as NAFTA will indeed be covered and be protected. Improved TAA is, we think, the best approach.

Another blind alley that we are quite concerned about is the idea of constructing a narrow, NAFTA-specific program that would be outside the framework of the existing TAA program. We are concerned that, first of all, this would be an unnecessary duplication. We already have a perfectly good framework in the current TAA program. What we need is to beef TAA up and make it work properly, not create yet another new program.

The real problem with a NAFTA-specific program is that the Administration would have a tremendous incentive to not certify anybody. The workers, who will be victims of the proposed free trade agreement would be caught in the catch 22 of the administration's need to justify that nobody is being hurt by NAFTA. They would be a great risk that few if any workers would be certified to receive benefits under a narrow, NAFTA-specific program.

Furthermore, it would require such hair splitting determinations of eligibility, much more difficult than the already difficult determinations under the current TAA program, that it would be administratively impossible to run an equitable NAFTA-specific program.

For all of these reasons, and others, the best way to address the injury that would be sustained by workers who will lose their jobs as a result of the proposed NAFTA is through an improved program of TAA.

With regard to the improvements that are needed, they are quite substantial and span the entire program. The benefits need to be improved substantially, and made an entitlement. The eligibility rules need to be changed, so that workers really can qualify for the benefits. There needs to be an assured funding source, so that the program is no longer subject to the vagaries of a budget process which has done such damage to TAA in the last decade.

I will not go into detail about all of these needed improvements. I know that time does not permit me to do that today. The details are in my written statement which you have, and which I request be printed in the record of this hearing.

Perhaps I can summarize a few highlights of our recommendations. In the area of benefits, we urge restoration of the wage replacement formula that prevailed under TAA from the 1974 Trade Act until the cutbacks of 1981. That formula provided for 70 percent wage replacement in conjunction with UI, up to a maximum of the average manufacturing wage—currently be about $450 a week.

In the eligibility area, you have mentioned the importance, and we concur very strongly about the importance, of covering workers injured as the result of relocation of production or other economic

activity to Mexico, or to any other location outside the United States. It is a long-standing inequity under the current TAA program that workers injured in such circumstances often are denied certification for TAA. For one reason or another, they just do not get certified. We think clear language to fix this problem is badly needed, and would be an important improvement in the program, especially for workers injured by NAFTA.

There are quite a few other improvements in TAA eligibility that we recommend.

The CHAIRMAN. Let me say, Mr. Friedman, I have not been running the clock on you because I want to give you more time to talk. But I would ask you to summarize now.

Mr. FRIEDMAN. Certainly. I was waiting for the light to go on.

The CHAIRMAN. I turned it off because I was trying to give you a little more time.

Mr. FRIEDMAN. I am sorry to take too much time.

In the area of eligibility, let me just add that supplier and service workers urgently need to be covered, if TAA is going to reach workers who would be injured by the proposed NAFTA. Many other eligibility issues are addressed in my prepared statement; I will not mention them at this time. In the area of financing, we urge that a TAA trust fund be established, and that a portion of tariff revenues, be earmarked to fun TAA.

The CHAIRMAN. We will take your statement in its entirety.

Mr. FRIEDMAN. Thank you.

The CHAIRMAN. Thank you.

[The prepared statement of Mr. Friedman appears in the appendix.]

The CHAIRMAN. Let me now hear from Mr. Oursler.

STATEMENT OF BARNEY OURSLER, COORDINATOR, MON VALLEY UNEMPLOYED COMMITTEE, HOMESTEAD, PA

Mr. OURSLER. Thank you, Senator. I am pleased to be back again. I was here in 1987 addressing the questions that the Senate addressed in the 1988 trade bill after having Senator Rockefeller join us in Pennsylvania along with Senator Heinz looking at some of the problems from the past implementation of the Trade Adjustment Assistance Program.

But let me just state up front that I think I am here in some ways to speak on behalf of the workers affected by the decisions of Congress and the administration. As you gentlemen well know these are the backbone of America. They are people who are proud of being workers. They get their dignity from taking care of themselves and their family and that that does not end when they lose their jobs.

It has been spoken to already today enough about the need for income assistance while folks job search and retrain. But let me just state very strongly, there is a feeling in the Mon Valley and around southwestern Pennsylvania that if Congress and the administration changes the rules of the game, that is you go to high school and if necessary you go to college and you go get a job and you raise your family, if that is taken away through trade adjustments, trade changes, then people are not going to understand why

there is not enough money in this country for decent training, for quality jobs to follow and for the income assistance while people are doing that when the S&Ls and other monies are found when needed.

There is a lot of anger when people lose these jobs. Unfortunately, they are going to be looking at their political leadership for answers about that. I do understand the fiscal problems, but we also have a tremendous amount of money that is spent in ways by Congress and the administration.

Just a little background. The Mon Valley Unemployed Committee has handled 9,000 appeals on trade adjustment assistance problems since 1986. When I was here in 1987 I spoke to a lot of the difficulties that we were having because the Reagan administration and the Thornburgh administration in the State of Pennsylvania had effectively denied tens of thousands of workers who were certified for the program since 1981 and were denied those benefits, denied training, denied cash.

Congress in particular I believe your committee saw fit to not only provide for substantial improvements in the Trade Adjustment Assistance Program but gave us some paragraphs to let us go back and reaccess workers denied these programs in the early 1980's. I must say that it has worked.

The program changes and improvements have been of major help for people now forward or from 1988 forward in getting the benefits they needed to remake their lives. If the Department of Labor ever gets off the back of Pennsylvania for the way they tried to do it prior to the 1988 trade bill we are going to be able to help all of the folks who lost jobs somewhere on the order of 120,000 manufacturing jobs in the four county southwestern Pennsylvania area from 1981 to 1986. We are going to be able to help all of those folks remake their lives.

It is also nice to not have Roger Semerod here today as he was in 1987 with the Marie Antoinnette, let them eat cake attitude about Trade Adjustment Assistance. Then we heard it was simply too expensive, it did not matter whether it worked.

I believe the political exigencies on needing support of Congress in getting the NAFTA agreement give you all a golden opportunity to hold them accountable for what really works. I would just echo the fact that our experience is that if there were a ton of money thrown into EDWAA it still would not have all of the program benefits that TAA has and we find that to be a much more effective program.

But when it comes to work EDWAA and TAA together, because for example TAA does not pay for job search workshops and enabling people to look for work in an effective fashion, if they could ever be worked together it might be the best program to work them together. In our State they do not work together.

A couple of examples of problems. About 2 weeks ago we had a meeting of workers who we were able to reach and it was a fraction we think of the total number. But in 1985 American Standard shut down the switch and signal plant in Swissvale. It took the union attorneys from the United Electrical Workers and a legal services attorney working with our committee 5 years to fight Department of Labor denial of certification for those workers. They

were certified a few months ago and we held a meeting 2 weeks ago.

Our of 450 workers certified 120 showed up for this meeting and had not been able to remake their lives and wanted to know about the opportunity 5 years, almost 6 years, after they had lost their job. So the problem is still out there. That speaks to a need to allow an intervention of unions or of legal service attorneys when a certification is denied.

Right now you have about 10 days from when you submit a certification petition to ask for a hearing. We need the right to have those hearings after certifications are denied.

A couple of other. I have a long list in my testimony. But a couple of other things I would like to speak to. Right now Congress saw fit to change an uncapped training allowance to putting the word reasonable in. I believe we have the other House of Congress to thank for that.

But it has been interpreted by the Department of Labor in such a way that the regulation says a State must set an absolute cap, State-by-State, for how money will be spent on training. Now we can disagree over that. But the effect of that and the full interpretation of it right now is giving a tremendous problem to us.

If you live in a rural community and you have to travel more than 50 miles to get a quality training program you have your training and transportation costs considered as part of your cost of training. When you add those two together for many people living outside a major metropolitan area in any State, the effect is that people who live a ways away from quality training do not have the same opportunities as people who happen to live in a city where there are a large number of opportunities.

That may not be clear. I wrote it down I think a little bit better than I am stating it now.

There needs to be money for counseling. Congress, in part because of problems that a lot of people brought to your attention, Congress said you must provide counseling for folks who are eligible for TAA training. It does not happen. It does not happen in Pennsylvania, not out of lack of interest of the Department of Labor and Industry, but because there is not any money for it.

Under EDWAA you can count job search workshop, counselors and people like that as part of the cost of training. Under TAA it only comes in in the 15 percent for administration and there is not enough money there to provide counseling service. So there is a lot of wasted training where people jump into something because they are going where a friend went or it is near to them or something and they really did not get the counseling to use that wisely.

The CHAIRMAN. Would you summarize and we will take your entire statement. But we want to ask some questions from this side.

Mr. OURSLER. Fine. I will assume you can read from here in my testimony.

[The prepared statement of Mr. Oursler appears in the appendix.]

The CHAIRMAN. Let me ask you what you have seen in some of the other countries. What happened in the EC, Mr. Friedman, when Portugal and Spain came in? Did they put in any types of

retraining, worker dislocation programs in anticipation? Because there you had a low wage group and a high rate of unemployment and perhaps not as high level of skills.

Mr. FRIEDMAN. Yes, Senator, they in fact do a great deal more in Europe. Not only in connection with the implementation of the single market, but even before the single market ever came into being. Their basic level of protection for workers and their labor market policies are much, much more effective in most of the European countries than they are in the United States.

In terms of incorporating the poorer countries of Europe there were very substantial social funds that were part and parcel of the agreement to form a single market. These funds could be used for a variety of purposes, including worker training. These funds were often quite substantial in relation to the GNP's of the countries involved, as I understand it.

If you look at the labor market programs overall in a country like Germany, they are for more extensive and better funded than ours. I was very surprised, frankly, by what Secretary Jones had to say about European labor market policy. I think I must live on a different planet than he does. In reality, the United States is one of the most laggard among the industrialized countries in regard to labor market and training programs for our workers.

If you look at public our expenditures on labor market programs, including training, job search, unemployment compensation, and job creation, it totals only 0.62 percent of our Gross Domestic Product (GDP), according to OECD figures. That is one-third or less of what it is in virtually all the countries of Western Europe.

In France, the figure is 2.9 percent. In Germany it is 2.3 percent. In our neighbor to the North, Canada, it is more than 2 percent. So they spend, also in Canada, well over three times the fraction of their GDP on training programs, job search, job creation, and unemployment compensation that we do in the United States.

The CHAIRMAN. Let me be sure. Secretary Jones surprised me too with that answer.

I want to be sure we are talking about the same thing. I think that he was speaking of just retraining to take care of the dislocated workers. Just the retraining. It is a very substantial amount of money they spend in training and protecting a worker's job, more than we do here. I know that. But I think he was just talking about dislocation and retraining.

Now would you still disagree with him on that?

Mr. FRIEDMAN. I would have to. I, too, would like to understand better what he meant, but the figures I was quoting included public expenditures for training of adult workers. If you break out the figures on training, they make Secretary Jones' remarks even harder to understand. Public expenditures per workers in training are quite small in the United States, averaging $1,800 per participant, as against more than $7,000 in Canada and Germany, according to the OECD. As a percent of GDP, public expenditures in worker training are only 0.05 percent for the United States, as against 0.22 percent in Canada, 0.25 percent in Germany and 0.28 percent in France. In other words, their effort in relation to GDP is five to six times greater than ours. If you look at duration of worker training under public programs in the United States it

averages only 3.5 months, as against 6 months in Canada and 8 months in Germany.

I am not even mentioning the figures for a country like Sweden, which is generally regarded as having the Cadillac in the world, in terms of these adult training and retraining programs.

The CHAIRMAN. Let me ask, Mr. Oursler, who is very much involved in this training deal, who are the principal providers of the training? Are there any attributes to those that are most effective that we could think of that sets them apart? Just deal with your experience in your State.

Mr. OURSLER. In western Pennsylvania an industry has grown up around the numbers of dislocated workers. In the immediate area around Pittsburgh there are approximately 250 dislocated worker training programs. There is a great deal of competition between public through the community college system, or vo-tech, high school programs, and the private providers.

Our experience of people who have gone through a training program and then came back to us because it did not work, and that is probably our best gauge of what has worked and not worked, because if they have a job they no longer come to the Unemployed Committee, is that people get lost in more general training programs. They go to community college and they get in with people who are looking at it as the first 2 years of a four-year college program and they get lost. They do not get a vocationally specific program laid out for them.

The private trainers are pretty specific about what you are going for. But there is not really any requirement for realistic assessment of placement of those workers. So folks do not know how to go and get. Again, because there no real training, career counseling offered to them through the unemployment office. You know, they do not know how to decide.

I mean I can tell you some shining examples, the Pittsburgh Institute of Aeronautics, where some people from West Virginia even come up to has a high 90 percent placement of aircraft mechanics nationally. If you are willing to relocate you are pretty much going to get a job if you make it through the program.

But machine shop technology institute was a rip off for people and it did not work. But how people distinguish those is not there. There is no requirement for that to be done. Now that is one place where EDWAA and JTPA they have required performance criteria that they have to meet. The problem is that there is a whole industry in the service delivery areas that are overseen by PICs who get their money off their statistics. They have such a bunch of lie, cheat and steal routines that it is incredible.

I mean they have people who have jobs and the company calls them up and says, hey, I am going to hire somebody and they will be counted for a one-day job search workshop and therefore they got a job through this service delivery area and it had nothing to do with them getting the job. So I do not think those numbers are enough. There needs to be a lot more of a quality assessment and people need to look at the quality of job.

One of the problems in the numbers game is that you look 3 months into placement and so much of the SDA's training is on-the-job training. They are guaranteed a placement at the end of it.

They love on-the-job training. But people do not keep those jobs. They are not jobs that lead to a decent income. Again, we are talking folks that are in the middle of their life when they lose the job that entitles them when they get dislocated. They have families. They need a standard of living that they can sustain that family.

We are pushing right now to try to look at what happens to people not 3 months after they get placed, but a year to 2 years down the line. Can they get a decent job and one that they are going to keep. EDWAA is not set up to gauge that. We have a fairly specific thing in mind because we got lucky. The Department of Labor put a lot of money into a computer program at the University of Pittsburgh and they have peoples' wage data through the Social Security Administration in this huge computer. They also have Title III trained people in that computer.

I hit Bob Jones up as he walked in this morning to give us the money to put the TAA trained people into that computer and look at what people actually got as incomes, not just 3 months, but a year or two down the line.

I think that you can do those comparisons, but from everything that I have seen, from looking at our State, it is apples and oranges the way the Department of Labor right now is collecting data and trying to compare TAA versus EDWAA.

The CHAIRMAN. Thank you.

I unfortunately have still another commitment. Senator, would you finish the hearings, please?

Senator ROCKEFELLER. I would be glad to, Mr. Chairman.

The CHAIRMAN. Thank you very much, gentlemen, for your testimony.

Senator ROCKEFELLER. I really just have one question that I would ask of you, Mr. Oursler. I remember very well the hearing in Pennsylvania and I remember one gentleman in particular talking about being laid off for over a period of 6 months and then benefits get exhausted, and in one case I remember him talking about family difficulties, just by virtue of his being at home and neither he nor his wife being accustomed to that. Alcohol problems, split up, just a general downward spiral; yet from a very positive type personality.

So you try to extrapolate that and you think of the misery that comes of this. Of course, to me it has been an enormous mystery as to why it is that during the 1980's there has been such an effort to undermine TAA. The administration does very little to have reasonable trade policies that try to create either a spirit of reciprocity or a level playing field, and then not having that, the least you would expect they would be able to do would be to protect the people who lose from the system which they sustain. But, no, they do not want to do that either and they want to eliminate TAA and everything else. That is a great mystery to me and a great sadness to me.

I think it has something to do with the fact that most people with certain income levels never really get to see people who are laid off or deal with them. They become something you read about in the newspaper, occasionally see on television, but they are just not a part of your life so people just ignore them. It is an incredible tragedy. It also is symbolic because it speaks to younger people who

hear about this uncle's friend or they see what happens and they figure what hope is there for me and, it hurts their efforts in school, makes them more cynical about "the system" and it generally is very, very harmful.

My only question to you would be if you could give examples, also of you, Mr. Friedman, if you care to, when you talk about let's say steelworker type jobs, what you call high wage jobs and then you yourself mentioned low wage jobs, hamburgers or whatever, and that low wage jobs are very hard to adjust to.

Can you tell me about middle type jobs? In other words, where you have seen that TAA works, whether it is through relocation or whatever, the kinds of jobs that people can get into that are not likely in fact to be at the steelworker level because few jobs are anymore. But realistically the kinds of jobs we ought to be working for. What kinds are there and how available are they? Either in Pittsburgh or the four counties that you speak of or elsewhere.

Mr. OURSLER. Well, let me start by saying that 20 percent of the population of Allegheny County, which is the County that Pittsburgh is located in left town in the last decade. That was the younger ones. That was for the most part people who were looking for work.

Peoples' sense of what they count as a decent living has been forced down. People who got $12 or $14 an hour jobs with good health care benefits are now happy when it is $9 or $10 an hour and there is any kind of health care coverage at all.

Senator ROCKEFELLER. Give me a range of jobs, types of jobs available in that area.

Mr. OURSLER. Within our area the strongest area of employment is health care industry. We have as the world knows a lot of the transplants that go on, but there is a whole related industry of health care.

Senator ROCKEFELLER. What kinds of jobs within the health care industry?

Mr. OURSLER. Every kind. Technical, technician jobs, low skilled all the way up to high skilled, nursing of every level of skill. The problem with those jobs is that you cannot go from a manufacturing experience to the health care even at pretty low skilled and low wage without a 2-year retraining program. They will not consider you. You do not need it necessarily, but the industry demands that kind of retraining.

Senator ROCKEFELLER. Do you have the health skill training program in effect in your area?

Mr. OURSLER. We have many, many versions of it. Ranging from on-the-job kind of training at the institution that you are going to be hired at, to one of the best programs in the community college system. I mentioned part of the problem was you get lost, well the health care training at community college, Allegheny County, is very specific. You end up with a job at the end of it and you know what you are going for.

Senator ROCKEFELLER. So that when you go into the training there is a job at the end and you know that?

Mr. OURSLER. Yes.

Senator ROCKEFELLER. How typical is that, however?

Mr. OURSLER. It is pretty untypical. It is the shiny example of the private industry council in the area.

Senator ROCKEFELLER. If I become unemployed because of foreign competition and I am somewhere in America, not necessarily in the four counties that you referred to, I am somewhere in America, and I have had a steelworker background, an autoworker background, a coal miner background, you know, industrial manufacturing, mining kind of background, am I going to feel reasonably good about my prospects of getting work, or am I going to feel that if I get the training that my chances of work are pretty good or not so good? Also, what is the effect on people, what is their attitude when they enter a training program in terms of believing or not believing that there is going to be a job at the end of it?

Obviously, including, you know, the very successful example that you gave.

Mr. OURSLER. Well, let me say something and then back out and let Mr. Friedman answer this. We had a disaster in southwestern Pennsylvania. That time period really it was from the end of 1979 to the end of 1985, 120,000 manufacturing jobs eliminated. Half of them steel and half other manufacturing; 30,000 new jobs total were created, were developed in that time period. Most service sector and low wage.

If you lived in southwestern Pennsylvania you would not have much of a chance. In fact, most of the folks that have decent jobs now we feel went back into the industry they came out. There is still steel, there is still some glass, there is still rubber, there is still electronics, electrical industry and they hung on long enough that their skill became useful if someone retired and they went back into that industry.

So I hope we do not have a typical experience for what you all are going to be facing on a national scale with a NAFTA agreement.

I think Mr. Friedman might have a better answer for you.

Mr. FRIEDMAN. Well I will take a stab at it at any rate. Senator, I think that is an extremely important question that you have raised, if not perhaps the most critical one about this whole overemphasis on training in and of itself as a solution, as a panacea to our Nation's employment problems.

The fact is that if we do not have an industrial policy in this country, if we do not have sensible managed trade policies, if we do not develop a serious commitment to full employment and renewed economic growth, all the training in the world in and of itself is simply not going to create good, secure well-paid jobs for America's work force.

We certainly need training, and I am sure there are a lot of instances where individual workers have benefited greatly and made successful transitions that they could not have made, without training.

Senator ROCKEFELLER. No, but that was not the question I was asking. I was not talking about the future; I am talking about right now. The question I am asking is, what happens right now in terms of (1) a displaced worker's attitude psychologically so to speak towards probability at the end of training; and (2) what kind of jobs

is that person likely to end up with and what chance is there that he or she will end up in a job?

Mr. FRIEDMAN. Right.

Senator ROCKEFELLER. I am not talking about the future; I am talking about now.

Mr. FRIEDMAN. I see.

Secretary Jones mentioned at the beginning that the Department of Labor is evaluating these programs from the standpoint of what is the experience of workers who go through them. I think the real answer is right now nobody really knows very much about that. I am aware——

Senator ROCKEFELLER. Wait a second. This has been going on for some time. I mean people have got to know something.

Mr. FRIEDMAN. I believe they are in the process. What he said was, they have studies underway to evaluate TAA and other training programs. I cannot speak for him.

Senator ROCKEFELLER. Well what is your sense of the experience?

Mr. FRIEDMAN. Well, we know that workers suffer very long spells of unemployment. That has been documented, by dislocated worker surveys and other studies. There have been a number of academics who have looked into the question. When I was at the UAW this was something that we in the Research Department had looked into. In addition to suffering very long spells of unemployment, we know that if and when dislocated workers find new employment they generally suffer very large drops in earnings compared to their prior job.

We also know that there are cases where training programs have made a difference for the better, in the sense that the job the dislocated worker subsequently got was better than the subsequent job that a similar worker who did not have the opportunity for training and income maintenance was able to get.

As to systematic analysis on that point, I can recall a study published by Professor Levitan of George Washington University, in 1986. According to Professor Levitan, longer-term training is far more likely to benefit dislocated workers than is short-term training. He found that workers involved in training of 40 or more weeks duration under TAA had six times the earnings gains on subsequent jobs than did workers whose TAA training lasted only 11 to 20 weeks.

Senator ROCKEFELLER. Mr. Oursler, could you give me some direct personal examples of friends of yours who have gone through training? I want you to think of individual people. You do not have to tell me who they are. That they took training and got jobs. They took training and they did not get jobs. They did not take training, they did or did not get jobs. Just think of some people. Do not tell me their names. Just give me a couple of cases so I can relate to those.

Mr. OURSLER. Well probably half of the friends I know who got a decent job went through retraining, went through several jobs after that, most of which never really related to the retraining they got, and then got a job based on the old skill that they had before they went through retraining.

Senator ROCKEFELLER. That half of the ones that got jobs had that experience?

Mr. OURSLER. That have a decent job now.

Senator ROCKEFELLER. Yes.

Mr. OURSLER. Are back on not necessarily the old job, but where that old skill was what got them the job.

Senator ROCKEFELLER. So you do not then necessarily fault the training for that, you fault it only to the extent that there was not something that was going to be there related to that training?

Mr. OURSLER. Exactly. I mean they got trained in new skills that——

Senator ROCKEFELLER. That there was not work available within that training?

Mr. OURSLER. Senator, what has happened is that a lot of the requirements that you all put for continuing to get any kind of cash income to keep your family alive requires you to be in training, so people jump into training.

Senator ROCKEFELLER. Sure.

Mr. OURSLER. They would have gone into a new field. They would have been very happy with those new skills. In fact, most people do not like their old jobs. I mean, being a steelworker, an autoworker, a glass worker is not a pleasant experience for your life. Being a draftsman or using a highly technical skill is a pretty neat thing to do with your life, and most of these workers would have loved to have jumped into a new field in their life.

But feeding the family and maybe having a chance at sending the kids to college is the bottom line of their life. So they go back to the old job.

Senator ROCKEFELLER. I relate very much to somebody doing that because your first responsibility is to your family and you have to take advantage of any opportunity that you have. You have a responsibility and you are going to do it.

That is not, however, much of an endorsement of the way we do job training. What is curious to me is why it is that we cannot be more specific or more targeted in our training except if there just are not jobs generally available.

Now you mentioned that there are health care jobs, that is a growing industry. If I were to ask you in the area in which you live, just name five or six different types of jobs which generally are understood to be available that are within that, you know, not the minimum wage, but the $9 to $10 you referred to, besides health care, what comes to mind?

Mr. OURSLER. Machine shop technology.

Senator ROCKEFELLER. And the need for people there?

Mr. OURSLER. For people there definitely a need and they do not pay what they used to in a big manufacturing plant.

Senator ROCKEFELLER. But $8, $9, $10?

Mr. OURSLER. Yes.

A number of people—the biggest employer in Southwestern Pennsylvania are the governments, the various levels of government. A number of folks have gotten administrative training and gotten jobs in there.

Senator ROCKEFELLER. You are thinking of people as you are talking?

Mr. OURSLER. Yes. I mean, because you have to. I also serve on the State's job training coordinating council and talk about exer-

cise in abstraction. We do not have any idea what is going on across the State until we get down to anecdotes and then you know because you know the person or you know somebody who knows them well enough that you can say yes it is working or it is not working for them. So you are right in asking the question this way.

Unfortunately, I think Sheldon is right in saying that there is no adequate study. Everybody who does these studies has a vested interest in trying to show something by them.

You know, their numbers are really a tough thing. You have to unpack why they are asking the question before you can trust their answer to it.

Senator ROCKEFELLER. Now I have not read—no, I cut you off. Do you have two or three other kinds of jobs that are real and live out there?

Mr. OURSLER. I mentioned these folks, the airline industry. There are several different ways in there. I mean right now it is a disaster. Deregulation has led to a major crisis in the airline industry. But a lot of folks went into everything from, you know, running those clerking things, giving out the tickets, to the mechanics to the air field. That used to be one of the best jobs you could get. We had the big airport and a lot of folks got into that industry. And a little bit of retraining.

A lot of employers seemed to like to see that you are willing to try a new thing. They do not necessarily care that you have the skill to come into the workplace. But if you are willing to do retraining and you did well in some grade point average or something like that, they will take that as an indication that you are willing to learn, that you are willing to try something new and they will hire you and train you on the job.

So your retraining may not have led to the job but your willingness to train and doing it well was a criteria for getting that job.

Senator ROCKEFELLER. And it is a very fair criterion. That is a very fair criterion. Because, number one, you are getting training in something.

Mr. OURSLER. Right.

Senator ROCKEFELLER. Secondly, you wanted to do it, even though you knew that there might not be a job at the end of it. So it is a pretty good measure of somebody.

Mr. OURSLER. Yes.

Senator ROCKEFELLER. So you can say then that that kind of job training or retraining even has merit when it does not lead to something that relates directly to the training.

Mr. OURSLER. It has merit in two ways. It has merit in terms of an employer looking at you. It has merit in terms of what it does for a worker's life. Because that job loss is like the worse thing that could ever happen to most people and their whole families. They do not think they can deal with the world anymore because they did what they were supposed to do and it kicked them in the face. Now what are they going to do? They have lost all control over their life.

They go to school. They are scared to death of going to school. They know they are competing against their kids in these schools and stuff and they never paid attention when they went to school in the first place because they were going to go work where their

parents worked in a manufacturing plant. So you know schooling is a frightening experience.

And learning that you can do that is an enhancing experience for you. Just a ton of examples of my friends who reshaped their life because they realized they could actually do something that they thought was far beyond their capabilities.

Senator ROCKEFELLER. This has been very helpful to me and it is the reason that we have to keep refining the program and protecting it to make it work better. You always have to assume in these things that even though there is no science to them there is huge purpose to them and we have an obligation to make them work the very best way that we can.

I thank both of you very much. The hearing is adjourned.

[Whereupon, the hearing adjourned at 12:22 p.m.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED

PREPARED STATEMENT OF SHELDON FRIEDMAN

Thank you for this opportunity to present the views of the AFL-CIO on the effectiveness of federal programs to compensate workers injured by international trade. What workers and the economy need most are trade and industrial policies that will create good jobs in America and stop the hemorrhage of those jobs. Workers need assistance when they become unemployed, but no amount or kind of assistance can take the place of a steady, decently-paid job. Such jobs are becoming all too rare in today's economy.

In the opinion of the AFL-CIO, the appropriate vehicle for compensating and assisting workers who would be injured by the proposed North American Free Trade Agreement (NAFTA) or other similar trade agreements, is an improved and expanded program of Trade Adjustment Assistance (TAA). Whether such trade agreements are otherwise deserving of support or not, the workers who are injured by them need and should be entitled to compensation and assistance.

However, the Trade Adjustment Assistance (TAA) program requires major improvements in benefits, eligibility and funding if it is to provide meaningful assistance to workers. TAA is the government's long-standing solemn commitment to help workers who are injured by the trade policies which government makes and carries out. In 1962, 1974 and again in 1988, Congress made it clear that workers injured by trade were entitled to special help. Cutbacks have gutted TAA during a decade of unprecedented need, often turning the government's commitment to workers into an empty promise. The current Administration and its predecessor have repeatedly proposed terminating the TAA program, most recently in the context of the budget submitted for fiscal 1992. While the Administration has not succeeded in totally killing TAA, the program has been scaled back drastically since 1981 and has remained scaled back throughout a decade of massively higher trade deficits and worker dislocation.

Even an improvement in eligibility provided in the 1988 Trade Act, which redressed the long-standing inequity of exclusion from coverage of trade-impacted secondary workers such as parts and supplier workers employed by independent companies, has remained an unfulfilled promise due to the Administration's refusal to implement a modest import fee to finance this extension of coverage.

When workers are injured as a result of deliberate national policy such as trade liberalization or a North American Free Trade Agreement (NAFTA), they not only need assistance but as a matter of basic fairness they should be entitled to compensation as well. Property owners who are dispossessed as a result of government action generally are recognized as being entitled to compensation; workers who lose their jobs as a result of government action often sustain far more serious damage and should have no lesser claim.

While in the current budget climate it is natural to scrutinize the cost of such compensation, in reality the central question is fairness, not cost. Advocates of greater trade liberalization base their advocacy on the alleged benefits that will accrue to society as a whole. If the proposed change in trade policy will not yield enough to provide compensation for the victims of that policy, then it can legitimately be asked why it should be adopted at all.

Major improvements are needed in all three Trade Adjustment Assistance program areas: eligibility, benefits and funding. Even improvements in two of these three areas, such as benefits and eligibility, will have little or no value to workers if the program is not adequately funded. Nor will improvements in benefits and fund-

ing have meaning if eligibility rules continue to be drawn and interpreted so restrictively that only a tiny proportion of injured workers can qualify. Better funding and improved eligibility will be of little help in the absence of significant, badly needed improvements in benefits. Far too often in the past, workers have been let down by illusory programs or program improvements which turned out to be an empty shell. This must not be allowed to happen yet again with regard to any NAFTA agreement, or other Administration trade initiative.

IMPROVED TAA OR EDWAA?

Before elaborating on the improvements which are needed in TAA, a few comments on the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) under the Job Training Partnership Act are in order. It has been suggested by some that EDWAA can be the program for assisting workers injured by the proposed NAFTA. The AFL-CIO does not believe the EDWAA program can serve as the vehicle for compensating and assisting these workers. The primary reason is the virtually complete lack of income support and support services for workers and their families under EDWAA. The only public source of income support for most dislocated workers assisted under EDWAA is their unemployment benefit checks. In 1990, the average unemployment benefit was $161 per week, only 37% of the average wage in covered employment. Suffice it to say that this was far below the poverty line for a family of three. Even these inadequate benefits are available for a maximum of only 26 weeks in all but two states. Gaps in eligibility and coverage have become so severe that barely over a third of the unemployed are even receiving benefits, a far smaller proportion than before the early 1980s. Unless they are fortunate enough to have income support from private sources, there is simply no way most unemployed workers can afford to take advantage of serious long-term training under EDWAA. As a result, EDWAA has tended to emphasize short-duration training of inadequate quality.

Even apart from its virtually complete lack of income support, EDWAA is seriously underfunded. In Pennsylvania, for example, despite vigorous efforts to obtain federal funds, that state has been able to meet the training and job search needs of only 10% of its dislocated workers. Nationally, EDWAA reaches fewer than 300,000 workers per year even including those who receive the most minimal services, while according to Department of Labor surveys there are nearly two million dislocated workers each year.

Furthermore, unlike TAA, the EDWAA program has no mission to compensate workers who have been injured by trade. EDWAA may assist workers but it does not compensate them. TAA can do both. For workers injured by trade policies such as the proposed NAFTA, this is an important distinction. Despite the cutbacks of the 1981 and repeated Administration assaults on the program, compensating workers injured by trade policy remains one of TAA's main purposes and continuing missions.

TAA, OR FREE TRADE-SPECIFIC PROGRAM?

Others who recognize the limitations of EDWAA have suggested compensating the victims of the proposed Free Trade Agreement by means of a narrow, NAFTA-specific adjustment assistance program. Such an approach overlooks the fact that we already have in place the framework for compensating trade policy-injured workers, namely TAA. What is needed are improvements in TAA to make certain that workers who would be injured by the proposed NAFTA are in fact compensated and assisted. It would be administratively cumbersome and totally unnecessary to create yet another worker assistance program with its own separate eligibility rules. Given the track record of this administration and its inaccurate assertions that few if any U.S. workers would be injured by U.S.-Mexico free trade, it is highly questionable whether workers would receive any meaningful assistance under a narrowly-drawn, NAFTA-specific program. Workers would be caught in the catch-22 of this administration's need to justify that its NAFTA agreement will cost few if any jobs. In reality, more objective observers conclude that there will be many losers as well as winners on both sides.

Furthermore, the need for improved TAA goes well beyond the proposed NAFTA. GATT negotiations are also underway, and proposals have been floated for a wider hemispheric free trade agreement. The need to compensate workers injured by trade is ongoing, and is most appropriately addressed by means of comprehensive improvements in TAA.

Benefits

The AFL-CIO advocates comprehensive and substantial improvements in benefits payable under TAA, including (1) restoration of the 1974 wage replacement formula, (2) improved duration of benefits and benefit entitlement, (3) continuation of medical insurance, (4) bridge benefits for workers near to retirement, and (5) an emphasis on targeted job creation.

With regard to the level of benefits, the AFL-CIO urges this Committee to restore the wage replacement formula that prevailed under TAA from the 1974 Trade Act until the cutbacks of 1981. During these years, workers received weekly cash Trade Readjustment Allowance (TRA) benefits and UI combined that were equivalent to 70% of their prior pay, up to a maximum of the average weekly manufacturing wage (currently about $450). TRA benefits were a supplement to unemployment insurance, and were paid concurrently with it during weeks workers were eligible for UI.

Such an improvement in benefits is certainly justified. Current unemployment benefit levels, as noted earlier, are woefully inadequate to meet the income support needs of jobless workers. Many of the workers injured by trade have families and other heavy financial responsibilities. Without substantial resources from private sources, there is no way most workers injured by trade can afford to enter serious long-term training. Restoring the 70% wage replacement level would go a long way toward remedying this shortcoming of the current TAA program. Workers displaced by trade suffer significant losses which often do not come close to being compensated even by a 70% benefit level, especially black, Hispanic and other minority workers who are represented disproportionately among the ranks of workers injured by increased imports, and who are particularly vulnerable to injury from the proposed NAFTA.

DURATION OF BENEFITS

The 1974-81 duration of benefits and total benefit eligibility period should be restored and improved upon. During those years, workers were eligible to draw 52 weeks of basic TRA over a 104 week benefit period. Workers eligible for the 26-week extension of TRA while in training had another 52 weeks to draw those benefits. In addition to restoring these rules, if TRA is restored as a supplement to UI initially, then benefits need to be payable for an additional 26 weeks, that is, up to a full two years, for workers who are in training. During the first 52 weeks, including the first 26 weeks when TRA would be paid concurrently with UI, the training requirement should be waived. Many trade-injured workers for whom training is not necessary or appropriate nevertheless need more than 26 weeks to search for new employment.

BRIDGE BENEFIT FOR WORKERS NEAR RETIREMENT

A special bridge benefit is needed for workers who will be eligible to retire under Social Security or any other pension arrangement within four years after they lose their job. Training requirements should be waived for such workers. Such workers may have spent many years in an industry; they often have highly specific job skills which were of great value to their former employer but have little transferability in the job market. Older workers face especially difficult problems of adjusting to job loss; their needs must be recognized and addressed.

MEDICAL INSURANCE

Unemployed workers injured by trade urgently need medical insurance coverage. The provision of COBRA allowing workers to reimburse their former employer for up to 18 months of coverage at group rates was a modest step in the right direction, but for most unemployed workers it forces a cruel choice between groceries and medical insurance. The average premium for health insurance available to workers under COBRA is $3,200 per year—$61.50 per week, or nearly 40% of the average weekly unemployment benefit. According to the Department of Labor, fully 25% of dislocated workers lack health insurance of any kind, years after they became unemployed. TAA cannot solve all of the problems of the 37 million uninsured in this country, but it can and should address the health insurance needs of unemployed workers injured by trade. Medical insurance continuation should be a benefit under TAA.

TARGETED JOB CREATION

We urge the Committee to incorporate targeted employment creation into the TAA program. Dislocated workers may be helped by income support in the short run, but their former jobs are gone forever. One component of the program should therefore be targeted job creation. A model for this may be certain economic conversion proposals (planning grants, subsidized loans, labor-management alternative use committees, etc.). Jobs related to commercial technologies which meet national needs should receive priority consideration (e.g., mass transit/high speed rail, HDTV, etc.).

Eligibility

Significant improvements are needed in eligibility for TAA. Workers deserve eligibility rules which are related to the injury they have sustained and their income and training needs, not shifting political sands or a desire to reduce the budget deficit at their expense.

During the years 1976-80, an average of 250,000 workers were certified to receive trade adjustment assistance each year. During this same time frame, the U.S. trade deficit in goods averaged $21 billion per year. In contrast, during the years 1981-90, an average of only 52,000 workers were certified to receive trade adjustment assistance. This significant drop in the number of workers certified occurred during a period when the trade deficit in goods had increased to an average of $94 billion per year (see Attachment I for year-by-year details).

For 1990, a year in which the trade deficit in goods still exceeded $100 billion, TAA petitions were filed only for an estimated 129,000 workers, and out of this total, only 62,000 were certified to receive benefits. Even more striking is the fact that only 19,000 workers actually received weekly cash benefits in 1990.

Eligibility rules must be changed so that far more workers who are injured by trade can qualify for and receive benefits, including workers injured by the proposed NAFTA. Changes are needed in certification criteria, as well as benefit eligibility. Experience with eligibility determinations and certifications under TAA indicates that it is necessary to make the law just as protective of workers as it can possibly be in terms of assuring eligibility for benefits. With regard to certification, additions or changes in the law are needed in at least seven areas: (1) the export of jobs, (2) the definition of imports, (3) the definition of an increase in imports, (4) coverage for service and supplier, (5) industry-wide certification, (6) trade law violations, and (7) trade agreement implementation. In addition, as set forth in Attachment II, significant improvements are also needed in program administration, and in benefit eligibility for workers who have been certified. The issue of eligibility for workers who have been certified is especially important, since last year the number of workers who began to receive TRA benefits was less than one third the number who were certified.

EXPORT OF JOBS

The law must be changed so that workers whose jobs are exported are certified under TAA. *Relocation of production outside the United States should trigger automatic certification.* This new criterion for certification is especially important for protecting workers injured by NAFTA. Many workers have been denied certification when their plants moved to Mexico, based on the tortured logic that prior to their becoming unemployed, imports had not increased. When jobs are exported from the United States, certification should be automatic, regardless of whether other certification criteria have been met.

"Export of jobs" should include jobs associated with new and replacement products or services, not just those which were produced or performed previously in the U.S. Furthermore, it should be clearly spelled out in the law that jobs need not have been exported from a specific worksite in order for workers at that site to be deemed injured by the export of jobs. In the past, workers have been denied certification when their jobs were transferred to another U.S. plant from which other production had been or was then transferred to Mexico, based on the exceedingly narrow interpretation that their unemployment had been caused by the relocation of production to another U.S. plant. Since workers were not laid off at the receiving U.S. plant, no one was certified.

DEFINITION OF IMPORTS

The definition of imports must be spelled out in the law to make TAA more protective of workers. The current standard, requiring increased imports of "like or directly competitive" articles, can be and sometimes is applied restrictively to deny

certification, even in cases when imports of relatively close substitute products have increased. The Congress needs to clarify that increased imports of substitute products, including new or replacement products, can trigger certification. When an auto company cuts back U.S. production of carburetors, for example, and increases imports of electronic fuel injection systems, unemployed carburetor workers should be certified for TAA.

Articles which have substantially less domestic content than "like or directly competitive" domestically-made articles should also be countable as "imports" for certification purposes under TAA. When workers lose their jobs because of increased U.S. production or sales of substantially lower domestic content competing products, they should be certified under TAA.

WHAT IS AN "INCREASE IN IMPORTS?"

Timing issues must also be addressed in the law to provide more liberal TAA certification than in the past. If, for example, there is an increase in imports but its impact on workers is masked initially by a concurrent domestic production volume increase, when those workers lose their jobs in a subsequent downturn they should be certified for TAA. In industries where there has been a long-term tendency for the market share of imports to increase, clearly workers are being displaced over the long run by increased imports and the rules regarding timing should be extremely liberal so as to encourage TAA certification. The law should permit use of a longer time span than at present to determine whether workers at a firm are to be certified. Currently, workers at a firm that has been shrinking for five years or more may not be certified because of circumstances in the period immediately before it closes.

Certification should be granted when the increase in imports follows rather than precedes job loss by workers. TAA certification has been denied in cases where corporations built for inventory, then moved the work to Mexico, based on the restrictive interpretation that the increase in imports followed rather than preceded the workers' unemployment. Putting an end to this kind of "catch 22" denial of certification is extremely important to workers who would be injured by the proposed NAFTA.

SECONDARY AND SERVICE WORKERS

Extension of certification to parts and supplier workers employed by independent companies is also long overdue, and should not be contingent on finding a future funding source. Workers who supply materials and parts should not be denied certification if the increase in imports is embodied in finished products, rather than in those materials or parts. Steelworkers or rubber workers who lose their jobs because of increased imports of cars are no less unemployed than they would be if imports of steel or tires had gone up.

Service industry workers who lose their jobs because of increased imports or because their work has been moved outside the United States also need and should be entitled to TAA. This will be important in connection with any NAFTA, which will likely cause many service workers to lose their jobs as corporations strive to exploit Mexican workers earning far lower pay, especially in border areas.

INDUSTRY-WIDE CERTIFICATION

The law should provide for industry-wide certification. Such certification should be available as an additional category, without diminishing opportunities for workers not covered by industry-wide certification to apply for certification under existing criteria and those new ones spelled out above. It would reduce administrative cost and delay to allow for the possibility of industry-wide certification. Any industry which is experiencing a long term increase in the market share of imports, where imports and increased imports are defined as noted above, or in which there is long-term injury to workers due to chronic export of jobs, should receive industry-wide certification.

TRADE LAW RELIEF OR VIOLATIONS

The law should provide for TAA certification for workers in cases where violations have been found or relief has been granted under trade statutes, treaty obligations or the GATT. Such certifications should be automatic, regardless of whether other certification criteria have been met. For example, if subsidies by foreign governments to companies such as Airbus cause injury to U.S. workers, those workers should be certified automatically under TAA.

Since in many cases, trade disputes are settled informally between governments and in others, international tribunals rule against meritorious cases brought by the U.S., it will be necessary to word this new proposed TAA certification criterion quite flexibly in order to adequately protect U.S. workers.

TRADE AGREEMENT IMPLEMENTATION CERTIFICATION

In addition to the above new and revised certification criteria, the law should provide a further certification criterion related to injury caused by implementation of any new or amended bilateral or multilateral international trade or investment agreement. Workers injured as a result of any such agreements or provisions of such agreements should be certified for TAA, regardless of whether any other specific certification criteria have been met or not. Given the Administration's political incentive to deny certification under such a criterion, it will be also especially important to improve the procedure for appealing denials of certification (see Attachment II).

Financing

Outlays for TAA have fallen drastically since the early 1980s. For more than a decade, it has been an unending struggle merely to keep the TAA program alive in annual appropriations battles. Throughout this period, hostile Administrations have sought repeatedly to kill the program. Though benefit levels have been scaled back severely, sufficient funds have not been appropriated even to pay these reduced benefits to the relatively small number of workers who have been certified. For most workers injured by trade, inadequate funding has rendered TAA an empty promise.

As noted earlier, even the modest improvement in eligibility contained in the 1988 Trade Act, which redressed the long-standing inequity of exclusion from coverage of secondary workers, has remained an unfulfilled commitment due to the Administration's refusal to implement a modest import fee to finance this extension of coverage.

Workers injured by NAFTA or other Administration trade initiatives must not be denied benefits because of inadequate funding for the TAA program. Nor after the bitter disappointment of the failure to fund extension of coverage to secondary workers will it be acceptable to provide contingent rather than assured funding sources for TAA.

Benefits under TAA therefore need to be an entitlement for workers injured by trade, not subject to yearly budget battles and repeated threats of cutback. The AFL-CIO urges this Committee to establish a TAA trust fund with authority to borrow backed up by an earmarked portion of future tariff revenues. Full benefits would thus be payable immediately and would not run out during the course of a year because sufficient funds had not been appropriated. Although more detailed estimates will be needed, it is probable that 20% of existing tariff revenues on a long-term basis would be sufficient to finance an expanded program of TAA. If tariffs continue to be cut as a result of NAFTA or GATT negotiations, it will be necessary to increase the proportion of tariff revenues earmarked for TAA accordingly.

Such a funding mechanism would provide a secure and long term source of revenue. In the 1974 version of the trade Act, Congress established an Adjustment Assistance Trust Fund under section 245, 19 U.S.C. 2317. However, as the Secretary of the Treasury never set up the trust fund, this provision was repealed in 1981. It is time for Congress to deliver this long-unfulfilled promise to workers.

If additional financing is needed, we urge the Committee to explore financing options involving taxation of multinational corporations. These options include eliminating the foreign tax credit, ending deferral of taxes on non-repatriated foreign profits, and imposing a special alternative minimum tax on multinational corporations. Representative Dorgan has introduced a bill in the House, H.R. 2889, to partially repeal deferral of taxes on unrepatriated foreign profits. We commend his effort, and hope that similar legislation will be introduced in the Senate. We further recommend that the increase in revenues from repeal of deferral be earmarked to help fund TAA.

Conclusion

In conclusion, the AFL-CIO urges this Committee to make substantial improvements in TAA program benefits, eligibility and funding, in order to deliver meaningful compensation to workers who would be injured by the proposed NAFTA or other Administration trade decisions or initiatives.

Thank you for this opportunity to present our views. We look forward to working with the Committee and its staff on the development of specific legislative proposals

on this matter, which is of such vital importance to working people. Additional needed TAA program improvements are set forth in Attachment II.

ATTACHMENT I.—ESTIMATED NUMBER OF WORKERS PETITIONING, CERTIFIED AND RECEIVING TRADE ADJUSTMENT ASSISTANCE FROM 1975 THROUGH 1990, AS COMPARED TO THE TRADE DEFICIT

Year	Workers involved in petitions	Workers certified	TAA recipients	Trade Surplus/ (Deficit) (billions)
1975	210,988	54,843	47,000	$10.4
1976	218,544	143,579	62,000	(6.7)
1977	227,562	143,716	111,000	(27.2)
1978	171,315	164,416	156,000	(28.9)
1979	320,714	221,481	132,000	(23.1)
1980	1,027,277	585,392	532,000	(19.3)
1981	132,222	32,992	281,000	(22.3)
1982	170,155	20,004	30,000	(27.5)
1983	164,096	57,094	30,000	(52.4)
1984	43,812	15,758	16,000	(106.7)
1985	123,736	32,098	20,000	(117.7)
1986	166,077	74,017	40,000	(138.3)
1987	190,881	86,283	55,000	(152.1)
1988	180,190	70,486	47,000	(118.5)
1989	142,422	69,199	24,000	(109.4)
1990	129,370	62,813	19,000	(101.5)
Total	3,619,361	1,834,171	1,602,000	

Source. U.S. House of Representatives, Committee on Ways and Means, Overview of Entitlement Programs, (1991 Green Book), pp 452-464. Economic Report of the President, February 1991, p 406.

ATTACHMENT II.—ADDITIONAL TAA PROGRAM IMPROVEMENTS

DURATION

The TAA program will expire on September 30, 1993 unless it is extended. During the last decade, the program has been scheduled to expire respectively in 1983, 1985, 1991, and 1993. The time has come to make TAA program authorization permanent.

EFFECTIVE DATE

Many corporations have been investing heavily in Mexico in anticipation of a NAFTA. TAA improvements should therefore be retroactive to the date Congress approved extension of the Administration's fast-track negotiating authority.

PUBLICIZE TAA MORE EFFECTIVELY

One reason so few workers apply for certification under TAA and so few who are certified receive benefits is inadequate information about the program. Current requirements for publicizing the TAA program and for training state workers who administer it must be enforced with far greater vigor. It will be especially important to publicize effectively any improvements in the program and to train accordingly state workers who administer it.

TIMELINESS OF CERTIFICATION DECISIONS

Current law requires the Department of Labor to make eligibility determinations within 60 days after a petition is filed, but inadequate funding and staffing have prevented timely determinations in many cases. Timeliness is critical for effectiveness with regard to assisting dislocated workers. The AFL-CIO therefore urges that appropriate DOL and state funding and staffing be increased, so that eligibility determinations can be made in a timely manner.

TAA AND WARN

The WARN Act should be amended to require employers to provide advance notice to the Employment and Training Administration. Such notice should trigger preliminary investigation of TAA certifiability, so that eligible workers can begin to receive benefits and other services with a minimum of delay. In the event employers

fail to provide proper notice, they should become liable for TAA program costs for their workers for up to sixty days.

COPY OF NOTICE TO UNION

A copy of the notice of certification should be sent concurrently to the international union which represents the workers. The union should not be responsible for notifying those workers, but it would be helpful in delivering services to them in a timely and comprehensive manner if the union received a copy of the notice of certification automatically and promptly.

PARTIAL CERTIFICATIONS

At present, DOL may qualify parts of a firm based on product made. This has led to situations where an entire plant is closed but only a portion of the workers receive TRA. If a plant closes and more than 50 percent of the workers would be entitled to TRA, all should be made eligible.

HEARINGS AND APPEALS

Currently, in order to preserve the right to an administrative hearing on the denial of certification, the petitioners must request a hearing within ten days of submitting a petition for certification. Many petitioners do not take this step, and thereby lose the right to a hearing before their petition has even been denied. Workers should have an opportunity to be heard and provide evidence in cases in which the DOL intends to deny certification. The DOL should be required to provide at least 15 days advance notice of its intent to deny a petition. Workers could then request a hearing and present evidence prior to a decision to deny certification.

Problems also need to be corrected with regard to judicial review. When workers appeal, their appeals are denied 90% of the time. In preparing their case, they rarely have access to the information used by the DOL to make its ruling. We urge that the current judicial review procedure be carefully examined and fairer rules be developed and put in place, including access to data used for determining eligibility.

QUALIFYING PERIOD

The 26 week qualifying period should be reduced to 20 weeks of "work." Many plants on the way out work sporadically and many of their workers may not qualify. As an alternative, provide a two year test: 52 weeks of work in two years with at least 20 in the latest year.

INDIVIDUALIZED ASSISTANCE

Current law requires state agencies to "promptly interview each certified worker and review suitable training opportunities available." Such individualized assistance is extremely important in helping dislocated workers, yet staff costs have prevented at least some states from implementing this 1988 requirement. Individualized career counseling needs to be separately and adequately funded in order for the states to carry out this responsibility under TAA.

REMOVE CAP ON TRAINING COSTS

The current $80 million yearly cap on TAA training costs must be removed. Furthermore, the 1988 requirement that the cost of training be "reasonable" must be revised to exclude transportation and subsistence costs. The DOL regulation which requires states to include in training costs the amount of any entitlement to a transportation or subsistence allowance discriminates against workers who live more than 50 miles (the commuting distance beyond which they are eligible for transportation allowances) from major metropolitan areas where larger numbers of training options are located. Workers have been denied the opportunity to refuse such allowances in their efforts to get otherwise appropriate training.

ALLOWABLE TRAINING

There should be fewer restrictions on the types of training that are permitted. In particular, remedial and other basic education, including English as a second language, should be considered allowable training for workers who need it.

WAIVER OF TRAINING REQUIREMENT

The current training requirements are too restrictive. Too many workers have been denied benefits because of the "catch 22" that they had failed to enroll in

training, yet no appropriate training was available. More reasonable criteria for obtaining training waivers are needed, which take into account such factors as a worker's age, existing skills, and realistic availability of appropriate training. For some workers, an extended period of assisted job search is necessary, and would be more appropriate to their situation than training. Such workers must have better access to training waivers so they can receive TRA. Training approval can be denied if it is determined that an unemployed worker has a reasonable prospect of finding suitable work within the "foreseeable future." In other words, a worker can be denied benefits because training was not approved due to foreseeable work, even though the worker had no job to enter. Training waivers should be granted in such situations, so that these workers are not denied TRA benefits. Waivers should also be granted when the alternative would be to force workers into inappropriate or inadequate training which is undertaken in order to maintain TRA eligibility.

BREAKS IN TRAINING

Because of overly restrictive eligibility rules, breaks in school calendars have caused workers to be denied weeks of benefits to which they would otherwise have been entitled. The DOL has interpreted the 104 week limit on the training period as calendar weeks, rather than actual weeks of training. As a result, workers do not receive TRA benefits during breaks in training longer than two weeks that are due to school calendars over which they have no control, nor can they defer receipt of those benefits past the calendar limit of the training period. Workers should be allowed to receive TRA benefits for a full 104 weeks, whether they receive some of them during school breaks, or for actual training that extends beyond 104 calendar weeks, or both.

REPEAL 210 DAY LIMIT

This rule imposes an unnecessary burden on workers. Workers cannot receive the additional 26 weeks of TRA benefits unless they are enrolled in training, and need the additional benefits in order to complete the training. Since workers are now required to seek training for the initial 26 weeks of TRA, requiring them to apply for additional benefits within 210 days of being certified or separated from employment is redundant and serves only to disqualify deserving and otherwise eligible workers. The 210 day rule should be repealed.

TEMPORARY REEMPLOYMENT

Under the current program, the benefit period runs concurrent with the benefits. Thus, if a worker is temporarily called back to work for several weeks or takes interim, but temporary employment, TRA eligibility is not just suspended—these weeks are lost. Workers should not be penalized or discouraged from taking temporary employment opportunities. When certified workers are temporarily recalled to their former employers, often they must accept this recall or lose seniority rights and other valuable fringe benefits. When they do so, they must drop out of their training programs, and, at best, they lose several weeks of additional TRA. More often, they never get back on TRA and may not get back into training. Workers who are recalled to their former employer while receiving additional weeks of TRA should be permitted to accept the recall. The weeks spent at work on recall or before they can resume approved training should not be counted against the 26 week period for which additional weeks of TRAs are payable. Other improvements are needed to insure adequate benefit payments for workers who cannot find steady full-time work but do succeed in getting sporadic or part-time work in their occupation.

JOB SEARCH AND RELOCATION ALLOWANCES

These should be permitted at any time, even if it means the termination of training.

"SUITABLE WORK" TEST

The current "suitable work" test is applied restrictively to deny TRAs to many otherwise eligible workers. This test, in essence, requires workers to take any minimum wage job that doesn't present an immediate threat to life and limb. Workers should be allowed to seek work in their customary occupation at the prevailing wage.

WORK SEARCH TEST

State agencies need the ability to modify or waive this test, based upon availability of suitable job openings. Currently, workers are forced to look for non-existent jobs or accept substandard work in many instances.

RECOUPMENT OF OVERPAYMENTS

In 1981, Congress added language providing for the recoupment of wrongfully paid TAA and TRA and stated that the Secretary of Labor "may" waive recoupment of a non-fraud overpayment if collection would be against equity and good conscience. DOL interpreted the "may" as giving the states the option of not waiving any overpayments. In addition, the DOL regulations have the toughest definition of "equity and good conscience" in federal law. To address these problems, changes in the law are needed which require the states to provide waivers on non-fraud overpayment and define equity and good conscience identically to the test applied by the regulations of the Social Security Administration.

PREPARED STATEMENT OF WILLIAM GROSSENBACHER

Mr. Chairman, members of the Committee, my name is William Grossenbacher and I am Administrator of the Texas Employment Commission, the agency of the State of Texas that operates the Unemployment Insurance and Employment Service and Trade Adjustment Assistance programs. In the past five years, Texas has had more than a little experience with trade-affected layoffs and I am pleased to be here to offer to this committee my observations on the operation of these programs and suggestions for improving our systems for helping dislocated workers. I also have some comments on the applicability of TAA to the dislocations likely to occur due to the North American Free Trade Agreement.

Texas' recent experience with TAA began in 1986 when the price of oil dropped to $10.00 a barrel. The oil industry reacted almost instantaneously, and in short order, Texas was facing layoffs of great magnitude. Within the following year, two major problems associated with the trade programs surfaced: one, the length of time it took to certify a petition of eligibility for benefits and training which delayed receipt of benefits for many people in dire circumstances, and two, the arbitrary exclusion of many workers who lost their jobs as a result of decreased oil production, but who, for obscure technical reasons were not considered "trade-affected." Both of these problems have been, to some extent, alleviated, and I bring them up as a reminder that if we choose to, we can tackle and solve problems in a simple and straightforward manner. I hope this will be the case with the issues before us today.

What we are dealing with here is the painful side of the restructuring of the United States Economy and the forced adaptation of the workforce to an emerging structure. That the federal government has chosen to assume some additional responsibility for the trade-affected worker does not alter the fact that there are many more workers in similar situations—dislocated from their jobs with no hope of returning to the same type of employment. We may choose to examine why we confer special benefits on a selected few while others, with the same needs, are offered a more limited menu of services. If we are here today to testify on the relative merits of Trade Adjustment Assistance compared to Economic Dislocation and Worker Adjustment Assistance (EDWAA), I will say at the outset that the TAA programs are much more effective in addressing the needs of the dislocated worker, but I would like to suggest that we combine the best elements of both programs into one that can serve the needs of all dislocated workers. I will return to this proposal later in the testimony.

I would like to turn my attention to the Trade Adjustment Assistance program and our recent experience with it.

EXPERIENCE WITH TAA

There is no question but that TAA has provided substantial relief to Texas workers. We have experienced an increase in active applicants from 4800 in 1987 to 7300 so far in 1991. Texas is proud to have been selected as an exemplary program in the 1990 US DOL report on Trade Adjustment Assistance programs. But getting to that point has not been easy and more often than not, implementation of the program has been more like negotiating an obstacle course. The 1988 Omnibus Trade and Competitiveness Act (OTCA) amendments made substantial improvements but there is ample room for more.

PETITIONING PROCESS

While the Omnibus Trade and Competitiveness Act (OTCA) of 1988 addressed the most critical problem in the process, that is the length of time to obtain certification of a petition, several problems remain. We find that many filings are made on or after the actual separation dates of workers from their jobs, delaying the entry of workers into appropriate training programs. The company's attitude is important: companies that are willing partners in the investigation can speed up the certification process, assisting their former employees in moving into retraining.

Recommendations

1. Include the Federal Employer Identification Number (FEIN) in the certification document, a simple change to permit easy cross referencing of the employing company with the parent company.
2. Permit the impact date to be more than one year prior to filing so that workers who were laid off before the business was officially declared "trade-affected" will have access to retraining.
3. Broaden the definition of "trade-affected" to include all employees who are caught in a trade-related down-sizing. Restrictive definitions and certifications deny services to many workers in need.

FEDERAL RULES

Complexity continues to be the primary nightmare of TAA and with the addition of EDWAA, it has increased. While rules and regulations are a necessity, in many cases they work to screen viable candidates out rather than making it possible for them to obtain needed training. There are different eligibility criteria for each of the services under TAA: readjustment allowances, training, job search allowances and relocation allowances; EDWAA has its own set of criteria, timetables and benefits. To understand these programs well enough to comply with the rules, let alone coordinate them, requires extensive training, great attention to detail and time. The complexity discourages use of the programs, discourages coordination and absorbs valuable time that could be spent working with clients.

Recommendations

1. Make revision of ETA Handbook 315 a priority: it has not been updated since the mid 1970's and the many rules and regulations that have been promulgated since the last revision should be collected and organized in one document.
2. Simplify regulations to make the program easier to explain and less arbitrary in conferring benefits on individuals (specific recommendations are incorporated in appropriate sections).

TRAINING, JOB SEARCH AND RELOCATION ALLOWANCES

Determining the availability of suitable work is the critical first step in ascertaining eligibility for TAA benefits. The job search required for a training waiver has proved a valuable tool in ascertaining whether suitable work is indeed available and clarifies to the laid-off worker the reality of the job market in regard to salaries and opportunities The results of job searches have steered many TAA eligibles into training programs, whether financed by TAA or EDWAA or other sources. We estimate that somewhere between 60-80% of TAA participants complete their training programs and we have noted an improved "obtained employment" rate. Our average TAA expenditure per participant is $2,650; in most cases, this is supplemented by funds from other sources and does not include TRA. The cost has declined since 1988 as we have become more efficient at coordinating resources.

The needs of our clientele are changing: as we see fewer oil and gas workers and more laid off from the garment industry, for example, we are finding a greater demand for English-as-a-second language (ESL) and Adult Basic Education (ABE) classes. In many cases, acquiring these skills can use up a participant's entitlement before he or she can begin true job training. Rehiring, layoff and recertification can extend a participant's training over many years and, while inefficient, is in many cases, necessary to attain desired literacy levels.

Job search and relocation allowances are available to clients under separate criteria and timetables than for those for training. These benefits are tapped far less frequently than the training programs and usually by white collar, high dollar earners. Many workers appear to be reluctant to leave home.

Interstate approvals of training are increasing in number and recent changes to interstate operations made in GAL15-90 have proved needlessly cumbersome and nearly impossible to implement. Suitable work and training programs require exten-

sive knowledge of the local labor market, information that is not readily available in another state.

Recommendations

1. Make participation in job search seminars mandatory early in the process so that the results may be applied to the suitable work determination and assessment for training.
2. Transfer all TAA/TRA liability in interstate cases to the worker's state of residence.

TRADE READJUSTMENT ALLOWANCE

The Trade Readjustment Allowance is the component of this program that makes it successful. For many individuals, the availability of a benefit payment means the difference between entering a training program which will lead to a new career or being forced to take a series of lower-paying jobs with no possibility of upgrading through training. However, several of the more stringent and perhaps arbitrary rules governing TRA work counter to the beneficial features of the program and seriously undermine its effectiveness.

As with training, eligibility criteria are so complex that both staff and potential recipients have difficulty explaining and applying them. The Extended Benefits work search requirements for those who are not in training are too time intensive for staff to enforce effectively.

There is mismatch between the two years of training provided in law and the maximum one and one half years of benefits (regular UI plus 52 weeks of TRA). Workers tend to drop out of training when their benefits are exhausted. So why dangle the possibility of a substantial two year training program when the student will in all likelihood not have the resources to make use of it.

The "210 rule" which limits eligibility for the second 26 weeks of TRA to those who apply within 210 days of a layoff or certification of petition, seems completely arbitrary and precludes individuals who may have learned of their eligibility months after the date of layoff from taking full advantage of their benefit entitlement and training opportunities.

Current TRA regulations contain some elements that make life unnecessarily difficult for trainees. A trainee receiving outside assistance such as a Pell Grant or Supplemental Economic Opportunity Grant (SEOG) will have his or her TRA benefit reduced by a pro-rated amount. Since many TAA recipients receive far less than the maximum benefit amount (i.e., living on a shoestring) reducing their benefit amounts causes further hardships. Furthermore, rules do not permit TRA payments over school breaks that last more than 14 weekdays leaving students with no support over winter, spring-to-summer and Summer-to-fall breaks that may run as long as a month. Finally, individuals in self-financed training programs are not eligible for TRA unless they are conducting a work search with the intent of going back to work. What kind of incentive is this policy?

Recommendations

1. Eliminate the 210 day rule for receipt of additional TRA
2. Provide for a flat 52 weeks of TRA while in training or pay TRA for every week attending approved training.
3. Allow receipt of other grants without reducing TRA.
4. Permit flexibility in the approval of TRA during breaks in training.
5. Permit those in self-financed, TAA-approved training to receive TRA.

ADMINISTRATION OF TAA

Compliance with the intent of the law is extremely staff intensive. Not only does staff have to determine that suitable work does or doesn't exist, staff must also develop a training plan that considers the education level of the participant, the length of any recommended training, the length of time benefits will be paid, the labor market demand for trained workers. Once these items are settled and a training contract is in place with an approved institution, Texas staff monitor the progress of the participant every two weeks to ensure that he/she is progressing in the agreed-upon program and is entitled to continue receiving benefits.

Stable administrative funding is a perpetual problem and the system of applying for funding every three months imposes additional paperwork on limited staff time. Basing administrative funding on a percentage of training dollars requested is an incentive to approve limited numbers of high dollar training contracts rather than spending time on high quality assessments of workers' needs.

Texas draws administrative funding from three sources: the contingency funding based on dollars earned from TRA activity, the 15-20% administrative funds from training dollars, and in the last two years, funds from the Governors' Discretionary Wagner Peyser dollars (7b). The 7b dollars have been the means by which Texas has hired staff to handle the approval process for TRA recipients who are in non-TAA funded training. Texas has had to employ nearly 30 additional staff for which no TAA administrative dollars are provided.

Recommendations

1. Provide base staff allocations to states for TAA.
2. Provide realistic MPU's for TRA funding.
3. Allow applications for funds to cover more than 3 month segments.

COORDINATION WITH EDWAA

In Texas, TAA and EDWAA are administered by separate agencies, making coordination more of a task than if they were under one roof. The existence of state and local cooperative agreements is an acknowledgement of the importance of coordination, but implementation of the agreements is difficult due to conflicting policies and procedures.

On the positive side, firms submitting WARN notices are routinely contacted and encouraged to file for TAA. Workers in Texas can now be dual-enrolled, receiving TRA and training benefits from different sources. This enables both systems to use resources more efficiently, to fill ii with one program where availability of or eligibility for the other might be questionable, and permits the JTPA program to obtain credit toward performance goals. However, a "seamless delivery system" is still the goal rather than the reality. Following is a list of the coordination problems.

Many dislocated workers who later are found to be trade-affected enter the system through EDWAA. Training permissible under EDWAA frequently does not meet the stricter standards of TAA, leading to problems when the worker attempts to enter TAA programs. In order to receive TRA, participants must be in TAA-approved training. Currently, nearly 30 staff are employed to perform oversight for approximately 2,000 individuals to ensure that it meets TAA standards. TAA feels this oversight is essential to the integrity of the program because training periods acceptable to EDWAA reflect more emphasis on completion by end of Program Year rather than by client or training needs. Additionally, EDWAA and TAA use different criteria to evaluate and select training institutions.

Recommendations

1. Standardize testing and assessment between TAA and EDWAA.
2. Standardize institutional training criteria between EDWAA and TAA, emphasizing quality and appropriateness, not quantity.

SUMMARY OF PROGRAM COMMENTS AND GENERAL RECOMMENDATION

Texas has an extremely hard-working and dedicated staff who administer a highly technical program, adhering to the letter and the intent of the law, but doing so with a great deal of compassion for the unemployed worker. Our very intensive, individual approach to job search, assessment, establishing a training program and monitoring progress are resulting in a high rate of successful completions and reentries into the workforce. There doesn't seem to be any substitute for a hands-on, closely supervised system, if our objectives are to be met.

The recommendations in this testimony presuppose that TAA and EDWAA will continue as separate programs. If that is the case, I recommend that the Department of Labor sit down with some of the experienced practitioners of TAA and EDWAA and clear up the unnecessary and confusing regulations that persist in both programs and move to eliminate any bureaucratic roadblocks to cooperation and coordination.

APPLICABILITY OF TAA TO NAFTA-AFFECTED WORKERS

While estimates of the effect of NAFTA on the U. S. Labor Force vary wildly, their is little doubt that in the short run, it will have a sizable impact on the border area. Recent projections indicate that as many as 6,000 agricultural workers will lose their jobs. In addition, 60% of all retail trade along the border depends on Mexicans crossing to buy U. S. goods. Once the border is open, retail trade on the U.S. side will experience a significant decline. The nature of the workforce along the border must be considered in assessing the ability of TAA to assist workers

whose jobs are lost. Modifications to TAA may be required to accommodate the following situations:

1. Many border businesses are small; the current petitioning and certification process works for large employers but is not necessarily appropriate for large numbers of small retail outlets.
2. Many affected workers will need extensive literacy, Adult Basic Education and ESL training before they can enter actual job training. The 104 weeks of training under TAA may not be sufficient to produce job ready applicants.
3. Agriculture is covered employment in Texas but not necessarily in other states where workers are employed; they would not have sufficient wage credits to entitle them to UI and subsequently, TRA.

ONE PROGRAM

At the beginning of this testimony, I suggested that one comprehensive program would be a superior way to address the retraining of the workforce. Our recent experience with TAA has demonstrated to our satisfaction that TAA, with its combination of subsistence payments and training dollars is a viable model for such a program and can in many cases put a dislocated worker back to work. Intensive staff involvement goes a long way toward ensuring that participants receive useful training and have the resources to complete their programs. However, TAA is hampered by restrictions and convoluted regulations that make it difficult and time consuming to administer and it has a limited scope. On the other hand, EDWAA, with its larger net and flexibility, reaches a much wider segment of those in need but is less selective in its training prescriptions and provides only token needs-related payments, if at all.

We have an opportunity to take a major step in addressing the well-documented retraining needs of the U.S. Labor Force. There is no lack of proposals or models for all-encompassing retraining programs and I do not intend to lay another one out here. Let me just state that such a system should begin with a thorough assessment of the skills and education level of dislocated worker, followed by an intensive job search program that, for one group, would result in rapid re-employment. A second group, job ready but without relevant job skills, would be enrolled in training programs, selected to meet clearly identified labor needs. A third group, those needing basic education, ESL or literacy training, or the workplace competency identified in the SCANS report, would move into job training following completion of the remedial program. Subsistence payments for those in training and in need are an absolute necessity if the program is to succeed.

The resource issue, as always, appears to be an obstacle, and would require a sincere financial commitment from government, education and business It is time to end the deliberations and the studying and to take serious, coordinated action.

Thank you for allowing me to present my views today.

PREPARED STATEMENT OF ROBERTS T. JONES

Mr. Chairman and Members of the Committee: I am pleased to have the opportunity to appear at this hearing on adjustment assistance to dislocated workers in anticipation of the North American Free Trade Agreement.

WORKER READJUSTMENT

As the American economy restructures to become more competitive, it is inevitable that frictional adjustments caused by changing technology, new work processes, improved products, new pricing policies and other factors will result in worker dislocations. These dislocations will differentially impact specific industries, geographic areas, and groups of workers. Even in years of rapid economic growth such displacement will occur, reflecting the fact that in any dynamic economy, some industries will expand, while others will contract.

Our primary objective should be to return dislocated workers to work as soon as possible, recognizing that some will need little assistance in finding a comparable job, while others may need considerable help in finding and qualifying for suitable employment.

The enactment, in recent years, of comprehensive and flexible worker adjustment legislation supported on a bipartisan basis by Congress and the Administration, has been a major step forward in aiding the economy's restructuring process. There is general agreement that it is in this country's interest to assist workers who have been displaced from their jobs through no fault of their own to quickly return to

productive employment. We recognize the positive public investment in retraining displaced workers and assisting in job placement.

As we plan to deal with the potential effects of the North American Free Trade Agreement (NAFTA) on American workers, which could include worker displacement, it is important that we consider what we know about providing effective adjustment assistance to displaced workers.

EFFECTIVE WORKER ADJUSTMENT ASSISTANCE

We now have the benefit of many years' experience in administering and operating programs for dislocated workers under the Job Training Partnership Act (JTPA) and the Trade Act. In addition, we have funded demonstration projects, and there have been many studies of dislocated workers and the programs that serve them. Our program experience and studies indicate that successful worker adjustment programs incorporate the following features:

- *Early Intervention.* Our experience confirms the critical value of early intervention and the quick delivery of basic adjustment services for effective transition. It is well documented that the earlier the readjustment process begins, the more effective will be the transition to new employment. If a worker waits too long to begin job search or retraining, he or she may become discouraged, even drop out of the labor market, and the adjustment process becomes more difficult. Early intervention is facilitated by early notice of layoffs and State capability to be at the dislocation site as rapidly as possible.
- Emphasis on Early Return to Work. Programs that provide incentives for workers to participate early in the readjustment period rather than simply receiving extended income maintenance speed the adjustment process. Extended income support may actually encourage workers to delay their participation in adjustment activities.
- Broad-Based Eligibility. Many displaced workers lose their jobs in small numbers in small establishments, as the ripple effects of larger layoffs and plant closings affect entire communities. Broad-based eligibility facilitates workers' entry into an adjustment program and contributes to effective readjustment for individuals and communities.
- Full Range of Services. Programs that offer a full range of services are most likely to meet the needs of the spectrum of dislocated workers. It is important that there be in place a mechanism for coordinating the services that are available from various programs and agencies.
- Employee Involvement. Employee involvement in the adjustment process contributes to effective adjustment particularly when there is a cooperative relationship between employees and the employer, and a mechanism for involving employees in planning adjustment services.

CURRENT PROGRAMS

The Department of Labor administers an array of programs that assist different segments of the dislocated worker population, including Unemployment Insurance, the Employment Service, Trade Adjustment Assistance (TAA) and the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA—Title III of the Job Training Partnership Act).

Unemployment Insurance (UI) provides temporary wage replacement to eligible unemployed workers that allows them to participate in adjustment programs, such as job skills training. While the current UI program provides essential support to dislocated workers, it generally does not offer incentives for early adjustment or alternatives to income support.

The Employment Service (ES) serves as a clearinghouse for labor market information and provides individuals with job counseling, job development and job placement services. This assistance is available to all job seekers. The ES is useful as an assessment and referral agency, particularly for those who are readily employable.

The TAA program provides adjustment assistance to workers who are dislocated by increased imports. TAA is an entitlement program. In order to receive program benefits, a dislocated worker must successfully negotiate a complex eligibility and certification process. Adjustment services are often provided long after the dislocation has occurred. To receive weekly trade readjustment allowances (TRA), a worker must be participating in a training program, unless a waiver is obtained. Basis TRA is available for 26 weeks following exhaustion of VI benefits. A worker in approved training may receive a maximum of 78 weeks of regular US and TRA benefits. In addition to paying workers' training costs and TRA, the TAA program provides for

job search allowances, relocation allowances, and training-related travel and subsistence payments.

While there have been substantial improvements in the TAA program over its long history, it still does not incorporate many of the features that help dislocated workers adjust successfully, such as early intervention, an emphasis on rapid return to work, employee involvement, and broad-based eligibility. Furthermore, the current TAA model responds only to dislocations in this country due to import competition, not to additional causes of dislocation which could occur under the North American Free Trade Agreement, such as American firms moving their operations to Mexico.

EDWAA was created by the Trade Act of 1988 which amended Title III of JTPA, replacing it with a new, comprehensive program designed to better serve the needs of *all* dislocated workers. EDWAA began operation in July 1989. EDWAA is designed to serve any jobless worker who is unlikely to return to his or her previous industry or occupation. It is a State grant program with a local delivery system. Eligibility for EDWAA is broad-based and easily determined, not being restricted or dependent upon the cause of dislocation. EDWAA provides for on-site rapid response, utilizing specially trained teams, often before workers are actually laid off; basic readjustment services; retraining services; needs-related payments; and labor-management committees. It also has innovative features, such as certificates of continuing eligibility, and includes incentives for workers to begin their retraining early in their spell of unemployment.

The Congress and the Administration recognized EDWAA's flexibility by authorizing clean air transition assistance and defense conversion adjustment assistance under EDWAA.

WORKER ADJUSTMENT IN CONNECTION WITH NAFTA

The Administration has stated its firm commitment to work with the Congress to ensure that there is a timely, comprehensive, effective, and adequately funded program of worker adjustment services for those who may lose their jobs as a result of a Free Trade Agreement with Mexico. As the NAFTA negotiations unfold, we will work with you to insure that there are programs that respond appropriately to the effect of NAFTA on specific industries and occupations.

A program that serves those affected by NAFTA would incorporate the elements that have proven successful in helping dislocated workers: early notification and intervention; employee involvement; ready access to a full range of training opportunities; assistance that is widely available; and an emphasis on early return to work.

We should not become sidetracked into a debate over whether TAA or EDWAA is the model that should be used, but instead focus on how best to help these workers. This is important for two reasons. First, we are not only trying to anticipate problems which may result from NAFTA, but we must be prepared to respond to dislocations that will result from other causes. Second, more jobs will be created than are lost due to NAFTA, and it is essential that we provide the NAFTA-displaced workers with the training and skills they will need to access these jobs.

PREPARED STATEMENT OF BARNEY OURSLER

The Dislocated Worker Scene

Southwestern Pennsylvania has the distinction of being perhaps the best location in the United States for at least one purpose, the study of how dislocated workers cope with permanent job loss. From 1979 to 1985 there were more than 120,000 manufacturing jobs eliminated from our area at the same time only 30,000 new jobs were created.

The jobs lost were good paying ones, the kind that you expect your children to raise their families on. The new jobs were mostly service sector jobs, the largest employers being local governments, universities and hospitals. And, many of these new jobs don't pay well with few benefits.

Most of the workers who lost manufacturing jobs had achieved a "middle-class" standard of living with 2.3 children and lots of debt even before paying for college. In the early 80's these men and women faced a scary new reality. Skills from their old jobs no longer got them jobs. Without new skills many found themselves only able to get the lowest paid most menial jobs in the new service sector.

By the tens of thousands, workers in our area decided to retrain. Hundreds of training programs were set up to meet this demand, and things were set to go. There remained only one problem, how to get the resources for training. How could workers afford to pay for programs, how could they support their families, pay for transportation, books and supplies, and, when training was completed, how could they afford job search and even relocation if necessary.

The Mon Valley Unemployed Committee

The Mon Valley Unemployed Committee was organized by unemployed workers as a self-help group that occasionally identifies an issue of public policy where the organized push of affected people can have an impact. Since 1986 the Committee has spent much of its efforts helping thousands of workers deal with getting resources to allow them to retrain.

From providing assistance to 8000 workers in administrative appeals concerning TAA benefits denied them to developing models for the state Department of Labor and Industry to implement the EDWAAA program in 1989, we have seen the two largest government programs for dislocated worker retraining at work. We, in fact, helped fashion some of the improvements in the TAA law made by Congress in the 1988 Trade Bill.

TAA Program

Others will cover the early history of the TAA program, we want to focus on the post-1981 period when our organization became aware of the need for it. Since 1981 Congress has redirected the TAA program away from being mostly about cash benefits towards being a means for dislocated workers to get quality retraining with necessary support benefits.

But until Congress passed the Trade Bill in 1988 much of the dislocated worker population in our area could only get TAA through appealing administrative denials of benefits. Why? Both the federal and state administrations used unduly restrictive regulations to deny access to TAA program benefits, in our opinion trying to stop a program that Congress wanted to keep.

Now, the Department of Labor usually decides whether workers from a plant are eligible for TAA within the 60-day period allowed by the law. Combined with the 60-day advance notice of a plant closing provided for in the WARN legislation, dislocated workers

can know about eligibility as they are first unemployed. This works where the state administration assists groups of workers to immediately petition for TAA certification.

TAA Benefits

Now, a worker knows her plant is closing permanently, and with TAA eligibility, there is the option to retrain if she already knows her skills won't lead to a job, or when a serious job search effort leads to that conclusion. TAA law mandates that state administrations provide counseling services to each eligible person to aid their decision-making about retraining.

TAA benefits provide for a great deal of choice in the type and length of training. Some workers simply need to update existing skills, for example a machinist might need to learn about computers to operate new types of machining tools. Others will need to learn entirely new skills, like the steel mill hooker (loads trucks) who needs extensive schooling to enter the health care job market. TAA allows both options.

To be able to consider the possibility of extensive retraining, these dislocated workers need to know how they can keep food on the table for their families. TAA provides income assistance that can cover up to 104 weeks of unemployment checks when combined with a couple of state unemployment claims.

If the only quality training available is some distance from home, TAA provides transportation assistance. Upon completion of the training program, TAA provides job search and relocation benefits. These are also available to the dislocated worker for one year from their loss of their job without the requirement of first retraining, but are renewed for 6 months upon completion of training. This helps since many workers will relocate rather than retrain and the "renewability" of the job search benefits allows for a thorough search before facing the need to retrain.

According to state officials, Pennsylvania has used 20% of the national funds expended on TAA training, job search and relocation benefits over the last 5 years. From a state sample survey conducted from 1988 through 1990 of individuals who attended TAA training, placement rates in unsubsidized employment were 75% overall and 62% in jobs directly related to their training program.

EDWAAA Program

After several years of experience with the new Job Training Partnership Act Title III known as the Economic Dislocated Worker Adjustment Assistance Act, I would say that not much has changed beyond the name. Woefully under-funded and with no reality to Needs Based/Related Payments as income assistance, the EDWAAA program has lots of performance requirements that effectively mean that only a few workers get training, usually of short duration and with no job search assistance to follow.

The existence of a service delivery system beyond the Unemployment Offices means that in a good EDWAAA program, services like workshops on job search and choosing retraining can be quickly delivered. Existing Unemployment Offices don't seem to be able to "retool" to provide such assistance.

In Pennsylvania funds have been available to serve fewer than 10% of those dislocated workers eligible for EDWAAA. Most programs, for example, have to choose between training or Needs Related Payments when dislocated workers need both. And, since programs need to meet short-term performance standards, most seem to offer exclusively On-the-Job Training beyond short Job Search workshops.

Program Comparison

This is the easy part. It doesn't take but a minute to see that TAA is far and away the better program in terms of the choices and support it gives dislocated workers. It is as a local newspaper says, the "Cadillac of retraining programs". And, since Congress admits that the cause of the job losses are not the fault of individual workers, but rather the result of changes in policies about the import of goods and export of jobs, Congress clearly owes these affected workers the better program.

But, I have had the opportunity of testifying over in the Senate right after the DOL's representative, and know that Congress must also consider the issue of cost-effectiveness. In Pennsylvania many more dislocated workers use TAA retraining rather than JTPA, but that seems to at least in part be due to availability of training money.

At this point I would like to switch hats for a moment, and speak as a board member of the Pennsylvania Institute on Public Policy. We are now in the middle of the first ever comparative study of these two programs in an effort to get beyond an anecdotal responses to issues of quality and effectiveness. I refer you to the testimony of PIPP consultant Morton Sklar which he will submit in written form.

Preliminary results indicate that no existing program meets existing needs, to say nothing of potential increased worker dislocations. But, of the two approaches, the TAA program better serves the specific needs of dislocated workers and should be the model for any new programs.

The Institute hopes there is an opportunity to bring this Committee the results of its research project when completed.

The following pages are specific improvements we recommend for the TAA program.

RECOMMENDED TAA IMPROVEMENTS

PROBLEM: Limits on Cost of Training:
In 1988 Congress limited the amount of money available to each individual for retraining by adding the requirement that the cost of training be "reasonable" rather than the previously uncapped benefit. The Dept of Labor then required that each state establish a specific $ amount as a maximum for that state, and required the state to include in that cost calculation the amount of any entitlement to a transportation or subsistence allowance.
In effect these regulations discriminate against workers who live more than 50 miles (the commuting distance beyond which you are eligible for transportation allowances) from major metropolitan areas where larger numbers of training options are located. Workers have even been denied the opportunity to refuse such allowances in their efforts to get otherwise appropriate training.

SOLUTION: Remove the Cap or
Make the Cap apply only to the Cost of Training and the Transportation /Subsistence Allowance a subsequent decision Not subject to the Cap.

PROBLEM: Failure to Provide Assistance in Choosing Training:
In 1988 Congress mandated that each TAA eligible worker must be given assistance in deciding if and which training is appropriate for them individually. At least in Pennsylvania this statute has not been implemented due to the staff costs involved.

SOLUTION: Make a Dedicated fund for such Career Counseling to provide the funds and require states to provide such services.

PROBLEM: Requirement to be in Training to Receive Any TRA Cash: In 1988 Congress changed the rules for receiving Basic TRA to require workers to be in training or to get a waiver of such requirement. Previously DOL required a rigorous job search effort to be documented much more completely than any requirements for state unemployment benefits.

Many workers, especially in a period of economic recession, need more than the 26 week period of state benefits in order to adequately complete job search efforts. Other workers are near to retirement age, and even with new skills would not be able to get new jobs because of their age. These workers, in order to get the additional cash benefits, enter training with no intention of obtaining employment based on new skills, and thereby waste the money spent on such training.

SOLUTION: Eliminate the Requirement to be in Training for Basic TRA or
Develop a much more Comprehensive Waiver Procedure allowing for Age, Existing Skills or other criteria.

PROBLEM: Limit of Training Period to 104 Weeks as Calendar Weeks: Since training programs are set up in different ways, some running continuously, some based on a semester system, the interpretation by DOL to take the Congressional limit as calendar weeks is unfair.

SOLUTION: Make the 104 Week Limit apply to Actual Weeks of training.

PROBLEM: 210 Day Rule Denies Cash to Workers Unfairly: If the requirement to be in training to receive any TRA cash remains in place, then the 210 rule is an unnecessary burden on workers. If the purpose of this rule is to pressure workers to quickly enter training, then such purpose is served simply by denying the Additional TRA benefits to anyone who isn't in training. In practice, very few states have been able to administer this section of the TAA program adequately.

SOLUTION: Eliminate the 210 Day Rule.

PROBLEM: Ability to Appeal Certification Denials Too Limited: Currently, in order to preserve the right to an administrative hearing on the denial of a certification, the petitioners must request a hearing within ten days of submitting a petition for certification. For most petitioners, the assumption is that the certification will be granted. It is only when the petition for certification is denied that petitioners will consider requesting the fight to an appeal hearing.

SOLUTION: Establish the right to appeal hearings for up to 60 days from the date of the denial of a workplace certification.

PROBLEM: Restrictions on Types of Training: At least in Pennsylvania training can be denied if it leads to self-employment, even if there are clear opportunities for employment following training. Part-time training is denied, even though a small amount of training may be all that is needed to make a person employable.

SOLUTION: Allow these types of training when they meet all other criteria for approvable training.

PROBLEM: Many Groups of Dislocated Workers Not Covered:
Because of the restriction of certification to Directly affected workers, workers clearly without jobs due to imports cannot use the TAA program. For example, at my ex-employer, USS Irvin Works, we made sheet steel for an auto plant across the street from the mill. In the 1970's the auto workers were certified as hurt by imports but not at the steel mill where the steel for the auto plant was made. In the mid 1980's the tin division of the Irvin Works was certified, but not the rest of the plant that made the steel for the tin coating production lines.
Also, workers dislocated by the trade agreement now being discussed by Congress would not necessarily be covered since Job Export is not a sufficient criteria for certification.

SOLUTION: Make Secondarily-Impacted workers eligible, cover all workplaces when a certain amount of such a site is certified and make Job Export alone a sufficient criteria.

PROBLEM: Qualifying Period Too Limited:
The point of these criteria for individual worker certification for TAA is to show attachment to the particular workplace. For many worksites there is an extended period when workers are laid off and recalled several times prior to a long layoff or plant closing.

SOLUTION: Make the Qualifying Period of Longer Duration than the current 52 Weeks.

PROBLEM: Duration of TRA Cash Benefits Not Sufficient:
Many quality training programs last a full two years, and in many states the combination of state and TRA benefits last at best for a year and a half.

SOLUTION: Allow for the combination of state and TRA benefits to Cover Training Periods of Two Years Duration.

PROBLEM: Cash Benefit Levels Destroy Living Standards:
With TRA cash benefits set at the rate of state unemployment checks, less than half the rate of pay from the job lost, most dislocated workers cannot pay for mortgages, utilities, taxes and other basics, to say nothing of the cost of paying for health insurance. For many such workers, the harm done to their family's standard of living is permanent, even if they do eventually obtain decent employment.

SOLUTION: Set a Higher rate of Benefit Level, allow Wage Supplementing especially for Older Workers as a Bridge to their Retirement and provide Health Benefits.

PREPARED STATEMENT OF ANDY RICHARDSON

Mr. Chairman and Members of the Finance Committee:

My name is Andy Richardson and I serve as Commissioner of the West Virginia Bureau of Employment Programs. As Commissioner, I have responsibility for a number of services provided to dislocated workers, including the Job Service system, the Job Training Partnership Act (JTPA) programs, the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA - Title III of JTPA), the Trade Adjustment Assistance (TAA) program, Trade Readjustment Allowances (TRA), and Unemployment Compensation.

INTRODUCTION - TRADE AND THE DISLOCATED WORKER

Thank you for the opportunity today to present testimony about benefits available to dislocated American workers who lose their jobs because of imports.

In today's global economy, few public policy issues generate greater controversy and passion than free trade. Trade is an uncomfortable merger of foreign policy and domestic policy. It promises to improve economies and stabilize the societies of our trade partners. Low wages and poor working conditions in developing countries undermine efforts to improve economies and stabilize those nations. Instead, the foreign promise of stability breeds a harsh reality for the jobless, unskilled American, dislocated and demoralized due to imports.

American workers who suffer job losses when foreign businesses sell their goods in the United States for less than American-made goods have a number of services available to assist them in coping with this life tragedy.

These workers have often worked in manufacturing jobs and may possess few skills that are truly transferable to other employment.

The Administration has recommended terminating the Trade Adjustment Assistance program. I take strong exception to this policy proposal. Quite the contrary, the TAA program needs improvements in benefits, administration, and funding so that it can be an effective transitional tool for dislocated American workers.

In my view, the Trade Adjustment Assistance program provides the preferred model for designing a comprehensive, integrated retraining and reemployment program for all dislocated workers in America. The cause of the dislocation should not be as important as the eventual result - a retrained, skilled worker prepared to return to meaningful work in his or her home community.

Today's hearing focuses on the Trade Act programs. Following are brief comments about the West Virginia experience with the Trade Adjustment Assistance program. I will then provide several recommendations to improve administration, quality, and results of the Trade Act programs, as well as some final observations about serving dislocated American workers.

THE WEST VIRGINIA EXPERIENCE

Through the end of September, 1991, 954 petitions for Trade Adjustment Assistance have been submitted to the Department of Labor on behalf of workers of West Virginia businesses. There have been 645 petitions denied, 74 terminated, 5 pending, and 230 certificates issued.

A wide variety of industries have been impacted, with the most significant impact reflected in the mining, glass, garment, and shoe industries.

West Virginia workers have benefitted greatly when program benefits have been utilized to their full potential. The existing TAA training program emphasizes early intervention and quality employability development.

Unlike other reemployment programs, TAA offers workers the flexibility to choose a program of study that suits their interest and abilities, and, within reason, does not limit the range of facilities that can be utilized.

The program attempts to promote the idea of receiving good value for our dollars, and, as a result, we have reduced the incidence of dropouts and have instilled a commitment to succeed.

A review of one large petition reveals that out of 768 workers, 678 registered. Of the 678 registered workers, 60% applied for relocation.

Based on these figures, we feel that more emphasis should be placed on follow-up after completion of TAA training, primarily for job development and ensuring that placements are successful.

Problems continue to arise regarding quality employability development due to understaffing of local Job Service office counselors and assigning unqualified and/or inexperienced personnel to employability development.

Too often the first contact to begin an employability plan is after a worker has exhausted regular unemployment compensation benefits and has only a limited number of weekly benefits remaining. For this reason, we feel workers monetary benefits should equal the number of weeks in training.

In the past we have also experienced frustration when assisting the worker who does not have basic skills and cannot successfully complete occupational training without basic skills preparation. In view of our nation's illiteracy problem, this is a major concern. The current program does not address monetary benefits for additional months necessary to reach skills levels sufficient to enter occupational training.

There remains a large portion of the TAA eligible population that have not requested program entitlements. Training remains open to any worker who was covered by any certified petition, but did not request and/or receive it. If a worker should request and complete training, he/she becomes eligible for job search and reallocation allowances. This is the primary logic behind the recommendation of requiring a three-year deadline on applying for training benefits, and would allow states to project anticipated funding requirements.

RECOMMENDED IMPROVEMENTS TO TRADE ACT BENEFITS

We recommend a number of changes to the present system designed to improve timeliness of services, streamline administration, tighten integrity standards, and more effectively serve the dislocated workers of America.

The following recommendations are a blend of simple solutions and creative policy initiatives. These recommendations are submitted in the chronological order of the statutory language affected, and contain a statutory citation, a description of the desired change, and a justification of the proposed amendments.

1. **WARN Notices treated as certification petitions under Trade Act**

Existing Legislation

Chapter 2, Subchapter A, Section 221 (a)
Petitions

Desired Change

All EDWAA-required WARN Notices issued by employers should be considered as a petition of eligibility under the Trade Act. Each state should forward one copy of each WARN Notice received to the Trade Act office. Only initial WARN Notices should be forwarded. Additional notices, covering the same general event, are not needed. (Employers often send additional WARN Notices to change layoff dates, or the number to be laid off, or to supply additional information.)

Justification

Experience has shown that persons authorized to submit Trade Act petitions are reluctant to do so. This introduces significant delays in petition submission. Automatic submission of WARN Notices will eliminate many of the late submission problems. This also promotes coordination of EDWAA and TAA.

2. **Shorten certification timetable to 45 days**

Existing Legislation

Chapter 2, Subchapter A, Section 223, (a)
Determinations by the Secretary of Labor

Desired Change

Change the certification time for petitions from 60 days to 45 days and provide adequate administrative overhead to accomplish this timetable.

Justification

Often the time for certification is too lengthy and exceeds the 60-day time limit. This causes delays in implementing program benefits for eligible West Virginians who have lost their jobs due to import competition. Combined with notification by the WARN Notice, certification can occur much more quickly.

3. **Limit post-graduate education through the Trade Act**

Existing Legislation

Chapter 2, Subchapter B, Part I, Section 231
Qualifying Requirements for Workers

Desired Change

Limit post-graduate education to an approved training program. Allow states to approve post-graduate education only under exceptional circumstances.

Justification

Federal law which permits dislocated workers to attend law school and other institutions of higher learning beyond undergraduate programs at government expense are subject to extreme

criticism by the public and by state Trade Act administrators. Most of the dislocated workers in the country have to rely upon JTPA Title III funds which do not permit post-graduate education. Dislocated workers certified as Trade Act-eligible would still be able to enter into undergraduate programs regardless of whether they have a college degree or not.

4. **Lengthen period of monetary support to coincide with training benefits**

Existing Legislation

Chapter 2, Subchapter B, Section 232 and 233
Weekly Amounts
Limitations on Trade Readjustment Allowances

Desired Change

The length of training benefits should coincide with the total length of monetary support provided by unemployment compensation plus TRA plus TAA (additional). Increase total monetary support to 104 total weeks to coincide with 104 weeks of training benefits. Specifically, increase TRA to 39 weeks and increase TRA (additional) to 39 weeks so that monetary support is as follows:

UI:	26 weeks	
TRA:	39 weeks	
TRA:	39 weeks	(Additional Benefits)
TOTAL:	**104 WEEKS**	

Justification

Currently, total monetary support and training benefits do not coincide, so many participants are still in training after all monetary support runs out:

Monetary Support		Training Benefits	
UI:	26 weeks	104 weeks	
TRA:	26 weeks		
TRA:	26 weeks		
TOTAL:	**78 WEEKS**	**TOTAL:**	**104 WEEKS**

This proposal will eliminate the need for dislocated workers to cannibalize their assets and drain their life savings to finish training programs.

5. **Monetary benefits during break of more than 14 days**

Existing Legislation

Chapter 2, Subchapter B, Section 233 (f)(1) and (2)
Limitation on Trade Readjustment Allowances

Desired Change

For basic TRA, allow benefits to be paid during the breaks that exceed 14 days (summer break) if the individual meets the EB work test during this time or provide on the job training compensation during the break period.

Justification

Some training facilities do not offer summer classes, others may not offer classes within the curriculum of the approved training during a summer session. The Eligibility Period for

receipt of TRA payments continues to run and could possibly expire during this period without the benefit of training.

6. **Allow basic skills development**

Existing Legislation

Chapter 2, Subchapter B, Part II, Section 236
Training

Desired Change

Add a provision to allow persons with limited basic qualifications to obtain basic skill training prior to and in addition to the 104 weeks of training authorized.

Justification

Persons who lack basic skills cannot successfully undertake higher level training in many cases. This is consistent with the national goals of improving necessary work skills so that America's workforce will remain competitive.

7. **Require enrollment in training within three years**

Existing Legislation

Chapter 2, Subchapter B, Part II, Section 236
Training

Desired Change

Establish a reasonable time limit during which an eligible participant must elect to enter training. We recommend three (3) years in which to apply for training.

Justification

Lack of a time limit causes administrative problems and tends to be contrary to the intent of providing training for reemployability on a timely basis.

8. **Redevelopment and vocational education improvements in states where jobs are lost through imports**

Existing Legislation

Chapter 2, Subchapter B, Part II, Section 236
Training

Desired Changes

1. An additional paragraph should be added to permit funding of state-operated vocational education courses that meet the needs of the state with the only restriction that the participants be dislocated workers certified eligible under JTPA Title III or under the Trade Act.

2. Each state should receive Governor's discretionary funds for economic development based upon the number of Trade Act-eligible dislocated workers on a yearly basis.

Justification

Many Trade Act-eligible dislocated workers leave the state and thus the state's needs are inadequately addressed by the Trade Act

due to this loss of employment in the state. While it is recognized that major funding should be addressed to Trade Act participants, it is felt that the desired change would meet the needs of the state also. Priority should given to training persons for demand occupations in the state.

The Act does not adequately address the states that lose jobs due to imports. Rather, the Act tends to create a system whereby workers merely get retrained and go to a state where jobs are available. In our state, this has facilitated an exodus of workers. By developing new job opportunities in the state being hurt by imports, we prevent the departure of families from their home communities.

9. Improve Job Search services

Existing Legislation

Chapter 2, Subchapter B, Part II, Section 237
Job Search Allowances

Desired Changes

1. Change the title of the section to read "Job Search and Job Search Allowances".

2. Add the following requirements for Job Search:

a. Upon completion of training, a participant must register at the state's Employment Service office where the participant has his residence. (In West Virginia, this would be a local Job Service Office.)

b. Each state shall provide sufficient counselors, experienced in national employment processes, to assist Trade Act participants to obtain employment upon the completion of training.

Justification

Counseling and job search need to be strengthened for the Trade Act program so that reemployment efforts are intensified.

10. Permit only one relocation allowance

Existing Legislation

Chapter 2, Subchapter B, Part II, Section 238
Relocation Allowances

Desired Change

Change the entire section to permit payment of one relocation allowance based upon the actual mileage from old residence to new residence, regardless of actual costs.

Require the administering US government agency to determine:

(1) Allowance per mile - to be determined each program year.

(2) Method of verifying when a state may pay the one relocation allowance to a participant. (Example: Submission of a valid mover's bill of lading for movement of household goods would suffice.)

12. **Ensure adequate appropriations for administration of the system**

Existing Legislation

Chapter 2, Subchapter C, Section 245
Authorization of Appropriations

Desired Change

A new requirement should be added that requires administrative costs to be appropriated as long as benefits are being paid.

Justification

Currently, funding of administrative costs run out for dislocated workers who take full advantage of 104 weeks of training benefits. This causes state government to charge overhead accounts.

CONCLUSION - A MODEL FOR AN INTEGRATED DISLOCATED WORKER POLICY

The benefits and services provided for dislocated American workers under the Trade Act truly serve as a model to promote reemployment while ensuring that each worker retains his liberty to choose a new career based on his personal interests and abilities. Constant efforts to eliminate the program have crippled retraining and reemployment efforts and increased poverty and the incidence of underemployment.

Rather than discussing termination of TAA and TRA, we must recognize the superior design of this model, fund it adequately, and begin moving forward toward an integrated retraining and reemployment policy. Drawing on the early intervention and diagnosis strengths of EDWAA and the personal choice and long-term retraining opportunities of the Trade Act, we must begin to forge a new, single integrated program for all dislocated American workers - regardless of what caused the job loss - to facilitate their transition into tomorrow's workforce.

An integrated program would involve Trade Act participants, EDWAA participants, Clean Air Act participants, Endangered Species participants, those affected by military cutbacks, as well as any individual unemployed with no likelihood of returning to the previous type of job held.

This approach would promote equity in domestic reemployment policy, but - more importantly - ensure that skills exist throughout the workforce to respond to tomorrow's needs.

Thank you for allowing me to share my thoughts today, and I would be pleased to answer any questions.

Justification

The administration of relocation allowances causes excessive overhead costs for the states. Approval of the desired change will greatly simplify the administration of this allowance. A single lump sum payment is more cost-effective and record keeping would be simplified. Also, the opportunity for fraud under the current system will be deterred.

11. Streamline administration through petition state - not current residence of trainee

Existing Legislation

Chapter 2, Subchapter C, Section 241
Payments to states

Desired Change

A new paragraph should be added which requires the petition state to administer the individual programs for eligible dislocated workers regardless of the current residence of the individual.

Justification

Residence is a personal choice and should not be allowed to affect which state administers the Trade Act program for the individual. Approval of the desired change will completely eliminate the problems of jurisdictional disputes between the states.

PREPARED STATEMENT OF SENATOR JOHN D. ROCKEFELLER IV

Trade Adjustment Assistance is a program that I wish were unnecessary and irrelevant. I wish we could concentrate solely on creating and sustaining good jobs for American workers, instead of having to also fight for TAA services for workers who lose their jobs due to foreign competition. I wish we wouldn't have to fight for TAA funding in these times of scarce resources.

Over the past decade, the Administration has tried repeatedly to gut or eliminate the Trade Adjustment Assistance Program. They have argued, essentially, that government doesn't have any special obligation to workers who lose their jobs because of our trade policy.

I vehemently disagree, and I have fought over the years—with other members of this Committee, especially the late Senator Heinz—to protect the TAA program. I've worked to strengthen the program, making changes legislatively to put more emphasis on training that will enable displaced workers to get back into jobs that support their families and a decent standard of living.

The TAA program has an essential role to play in responding to the very real needs of America's workers and families. Since 1945, this nation has maintained a policy of free trade and open markets. We did this because it complimented our political goals of rebuilding Europe and Japan and maintaining a strong defense against the Soviet Bloc; and because the cost of open markets was small.

Nearly fifty years later, however, it is clear that while we have achieved many of our post-war goals, the costs of doing so are much higher than we expected.

Mr. Chairman, those costs are measured in people. The more than 200,000 steelworkers who have left the industry during the import crisis. The even larger number of textile and apparel workers who have lost their jobs. Countless others in footwear, autos, and a wide variety of manufacturing sectors.

Their jobs may disappear, but the people do not. They remain, as their livelihoods crumble around them, wondering what to do.

And they include thousands of West Virginians who were laid off, often with no notice, as factory after factory shut down in the dark days of the past decade. I remember the pain, for example, of the 1100 miners thrown out of work by USX as a direct result of unfair competition from foreign steel.

The Reagan-Bush Administrations, which have proposed killing this program consistently since 1981, see no special obligation to the victims of our trade policy. Congress, however, has just as regularly continued this program because we understand how important it is to maintaining an open trading system. And I can attest to the difference that TAA makes in the lives of workers and their families in my state. The workers lucky enough to qualify for TAA have been able to learn new skills and receive the extra support they need to go back to work.

Simply put, the alternative to adjustment assistance is protection. To the extent this program fails, we face increasing calls for protectionism, which is in no one's interest.

Today, we begin to review this program and consider how to make it even more effective. And it will have to be more effective if our fears about the NAFTA negotiations are realized.

In that regard, I particularly want to note the testimony of Andy Richardson, Commissioner of the West Virginia Bureau of Employment Programs. Besides making some very useful specific suggestions for changes in the TAA program, Andy proposes developing an integrated retraining program under TAA that combines the best features of the various programs we have, including TAA, EDWAA, the Clean Air Act, defense conversion programs, and so on.

I am very interested in the approach he suggests, and I hope the Committee will consider it. We know that readjustment assistance and training don't magically put people back to work. They have to be well-designed, well-run, and in tune with the needs of today's employers. But let's remember that the need for the TAA program has not disappeared, and we should give it the attention it deserves.

COMMUNICATIONS

STATEMENT OF THE CUSTOMS AND INTERNATIONAL TRADE BAR ASSOCIATION

This statement presents the views of the Customs and International Trade Bar Association (CITBA) concerning the federal adjustment assistance program available to workers adversely affected by increased imports. CITBA is a national association of some 350 attorneys admitted to practice before the United States Court of International Trade. CITBA was originally founded in 1919 as the Association of the Customs Bar. CITBA supplies the U.S. Court of International Trade with names of members willing to accept pro bono representation before the court in, inter alia, judicial challenges of adverse trade adjustment assistance programs. In recent years, a number of court appointments have resulted.

CITBA's Unfair Trade and Trade Adjustment Committee (UTTAC) has been examining the trade adjustment process in the last year to determine whether there are any impediments to workers obtaining the relief intended by the Congress. Separately, UTTAC has been compiling a research index covering, among other topics, the trade adjustment assistance program.

Based on these efforts, CITBA has a number of concerns about the effectiveness of the existing system in providing the relief intended by the Congress. It is possible, of course, that our concerns are based on isolated instances and do not reflect the general experience under the existing law. To clarify the full nature and extent of any problems, CITBA believes that a study should be undertaken by an appropriate government or outside entity. Such a study would provide the factual basis for recommending whether legislative amendments are needed to safeguard existing worker rights to trade adjustment assistance.

CITBA's Unfair Trade and Trade Adjustment Committee prepared this submission under the auspices of the Association.

History of Trade Adjustment Assistance

The trade adjustment assistance programs were first established under the Trade Expansion Act of 1962 to address special adjustment problems of workers dislocated as a result of reduced U.S. trade barriers. As a result of limited eligibility and usage of the programs, criteria and benefits were liberalized under Title II of the Trade Act of 1974, Public Law 93-618. The Omnibus Budget Reconciliation Act of 1981 (OBRA), Public Law 97-35, reformed the program for workers as proposed by

the Administration. The amendments, particularly those concerning program eligibility and benefits, were intended to reduce program cost significantly and to shift its focus from income compensation for temporary layoffs to return to work through training and other adjustment measures for the long-term or permanently unemployed. The OBRA also extended the program until September 30, 1983.

Public Law 98-120 (H.R. 3813, as amended by the Senate), approved on October 12, 1983, extended trade adjustment assistance until September 30, 1985. Sections 2671-2673 of the Deficit Reduction Act of 1984, Public Law 98-369, included three provisions which amended the program to increase the availability of training allowances and the level of job search and relocation benefits.

The termination date of the program was further extended under temporary legislation in the first session of the 99th Congress. The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), Public Law 99-272, approved April 7, 1986, reauthorized the trade adjustment assistance program retroactively from December 19, 1985 until September 30, 1991.

Sections 1421-1430 of Public Law 100-418, the Omnibus Trade and Competitiveness Act of 1988 (OCTA), enacted on August 23, 1988, made significant amendments in the trade adjustment assistance program, particularly concerning the eligibility criteria for cash benefits, funding, and administration, further increasing the emphasis on worker training. The amendments also expanded trade adjustment assistance eligibility coverage of workers, contingent upon the imposition of an import fee to fund program costs. The OCTA extended the trade adjustment assistance program until September 30, 1993.

Over time, the eligibility criteria, the form of benefits, the overall emphasis of the adjustment assistance program, and the administrative mechanism by which the program is implemented have evolved in response to the continued federal emphasis on reducing barriers to foreign trade. Statutory amendments to the program roughly correspond to major international initiatives under GATT to liberalize the global trading environment. In light of current bilateral and multilateral initiatives to further reduce U.S. barriers, the importance of worker adjustment assistance will likely increase. It is important that any program work properly.

Because there are a range of potential problems with the existing system as administered, CITBA believes that an investigation should be conducted by the General Accounting Office, the U.S. International Trade Commission, or another body to determine whether further amendments to the trade adjustment assistance program are warranted at this juncture.

Overview of Existing Practice and Potential Problems

The statutory program currently provides for precise and expeditious administrative investigation of petitions for relief. This system includes strict statutory deadlines and somewhat limited involvement by petitioning parties, many of whom approach trade adjustment assistance on a pro se basis. Under the statutory

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1 Under the existing program, the Labor Department evaluates petitions, issues certifications, investigates affected companies, interprets the statute, and ultimately determines whether the facts of each case warrant a grant of relief.

requirements of the trade adjustment assistance program, the Secretary of Labor (the Secretary) is assigned the role of investigator, judge and jury.[1] CITBA believes that the federal adjustment assistance program must be equipped with adequate safeguards to insure that the Act's intended recipients are not denied benefits for procedural reasons which prevent a substantial review of each case on its independent merits. For example, there are a disturbingly large number of challenges at the Court of International Trade where pro se litigants have been denied an opportunity to have their case decided on the merits at the agency or at the court because of the relevant statute of limitations.

In addition, the administrative framework implementing the statutory requirements should be examined to determine whether there should be expanded opportunities for the submission of evidence by affected workers and active participation, in person or by counsel, in the proceeding.

The definition of procedural due process developed through ongoing judicial review of the administrative framework in the United States has extended to affected individuals the right to:

1. Notice, including an adequate formulation of the subjects and issues involved in the case;

2. Present evidence (both testimonial and documentary) and argument;

3. Rebut adverse evidence, through cross-examination and other appropriate means;

4. Appear with counsel;

5. Have the decision based only upon evidence introduced into the record of the hearing; and

6. Have a complete record, which consists of a transcript of documentary evidence and all other papers filed in the proceeding.

CITBA questions whether many of these elements are present in the trade adjustment assistance program, and believes that a study should be conducted to determine why the program should not be strengthened so that these elements are present, assuring that workers receive the benefits intended by the Congress. Any legislative changes to the existing program based on the suggested review would promote the sound administration of justice and basic fairness. CITBA suggests the study examine the possible need for legislative amendments to the current statutory scheme relating to worker representation, the scope of the investigation, and the notice to be given to workers.

The Current Federal Trade Adjustment Assistance Program

Trade adjustment assistance for workers under sections 221 through 250 of the Trade Act of 1974, as amended,[2] (the Act) consists of trade readjustment allowances, employment services, training and additional trade readjustment allowances while in training, and job search and relocation allowances for certified and otherwise qualified

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2 The Omnibus Trade and Competitiveness Act of 1988 extended trade adjustment assistance program authorization for an additional two years until September 30, 1993.

workers. The program is administered by the Employment and Training Administration of the Department of Labor through State agencies under cooperative agreements between each State and the Secretary. The Employment Training Administration processes petitions and issues certifications or denials of petitions by groups of workers for eligibility to apply for trade adjustment assistance. The State agencies act as federal agents in providing program information, processing applications, determining individual worker eligibility for benefits, issuing payments, and providing re-employment services and training opportunities.

A two-step process is involved in the determination of whether an individual worker will receive trade adjustment assistance: (1) certification by the Secretary of a petitioning group of workers in a particular firm as eligible to apply; and (2) approval by the State agency administering the program of the application for benefits of an individual worker covered by a certification.

The process begins by a group of three or more workers, their union, or authorized representative filing a petition with the Employment Training Administration for certification of group eligibility. To certify a petitioning group of workers as eligible to apply for adjustment assistance, the Secretary must determine that three conditions are met:

1. A significant number or proportion of the workers in the firm or subdivision of the firm have been or are threatened to be totally or partially laid off;
2. Sales and/or production of the firm or subdivision have decreased absolutely; and
3. Increased imports of articles like or directly competitive with articles produced by the firm or subdivision of the firm have "contributed importantly" to both the layoffs and the decline in sales and/or production.[3]

Section 222(a) of the Act.

The Secretary is required to make the eligibility determination within 60 days after a petition is filed. A certification of eligibility to apply for trade adjustment assistance covers workers who meet the requirements and whose last total or partial separation from the firm or subdivision before applying for benefits occurred within one year prior to the filing of the petition.

State agencies must give written notice by mail to each worker to apply for trade adjustment assistance where it is believed the worker is covered by a certification of eligibility and also must publish notice of each certification in newspapers of general circulation in areas where certified workers reside. State agencies must also advise each adversely affected worker, at the time that worker applies for unemployment insurance, of trade adjustment assistance program benefits as well as the procedures, deadlines, and qualifying requirements for applying. State agencies must advise each such worker to apply for training before or at the same time the worker applies for trade readjustment allowance benefits and promptly interview each certified worker and review suitable training opportunities available.

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3 The term "contributed importantly" means a cause which is important but not necessarily more important than any other cause. Sec. 222(b)(1).

Proposed Topics for Study and Evaluation of the Need for Legislative Changes to the Federal Trade Adjustment Assistance Program:

1. The Study Should Focus Upon the Possibility of Expanding the Notice Requirements for the Trade Adjustment Assistance Program

The notice requirements contained in the trade adjustment assistance program statute should be evaluated, along with the distribution of program benefits to adversely affected workers covered by a certification.

2. The Study Should Seek to Identify Procedural Defects in the Adjustment Assistance Program

CITBA believes that an investigation of salient aspects of the adjustment assistance program will enable an informed decision regarding the need for legislative changes designed to provide minimal safeguards for the rights of workers adversely affected by increased imports. To this end, CITBA proposes that the trade adjustment assistance program be examined in terms of total number of certifications granted and benefits received by workers in relation to the overall number of petitions filed. Two additional factors are important to this study. First, the main reason or reasons behind the denial of current petitions should be established. Second, the frequency with which affected workers under the current statutory definition, covered by a certification, actually apply for and receive program benefits should also be reviewed. The degree to which any particular aspect of the program is underutilized vis a vis other program benefits, e.g., relocation and retraining benefits as compared with cash assistance, may be indicative of the need for an adjustment in the overall emphasis of the program.

3. The Study Should Review the Adequacy of Existing Judicial Review Provisions

Finally, judicial review of adjustment assistance cases should be examined to determine whether an anomalous proportion of cases brought by workers are lost for some reason that could be corrected through either a legislative amendment or by enhancing existing administrative mechanisms for notice and representation of workers. This measure of program effectiveness is especially significant if a procedural requirement is preventing large numbers of workers from obtaining program benefits. UTTAC includes as an attachment to this statement a review of judicial decisions since 1981 in the trade adjustment assistance area. CITBA's concerns based on a review of judicial decisions can be summarized as follows:

(1) Workers bringing appeals are denied relief in more than 90% of the cases.

(2) Even with the potential availability of appointed counsel, litigation proceeds by workers on a pro se basis in court nearly 60% of the time.

(3) Core information obtained by the Department of Labor from the employer and from customer surveys appears seldom, if ever, to be made available to workers during the administrative proceeding, significantly handicapping the ability of displaced workers to obtain relief at the agency or reversal of adverse determinations in court where the standard of review is substantial evidence.

The above information suggests that there may be significant procedural problems preventing workers from obtaining the relief envisioned and intended by the Congress. CITBA strongly recommends that the Congress request a study to determine the extent of the problems with the existing system. Such a study would provide the factual predicate for assuring an effective system in the future.

Respectfully submitted,

Andrew P. Vance, President
Terence P. Stewart, Chairman,
Unfair Trade and Trade Adjustment
Committee

CUSTOMS AND INTERNATIONAL
TRADE BAR ASSOCIATION

Dated: October 25, 1991

TRADE ADJUSTMENT ASSISTANCE CASES IN THE COURT OF INTERNATIONAL TRADE

Sl.Op.		Labor grant certif. after remand aff'd	Labor deny certif. aff'd (appeal dism'd)	Case remanded to Labor	Pro se appeal	Timeliness at issue (SOL)
81-77	Vanderlind v. United States, 2 CIT 83 (Aug. 26, 1981)	Order to suspend proceedings at CIT pending reconsideration by Labor				
81-81	Woodrum v. Marshall, 2 CIT 103 (Sept. 11, 1981)	Order to proceed by Rule 56.1 mtn on agency record				
82-60	Woodrum v. Donovan, 4 CIT 46, 544 F. Supp. 202 (July 26, 1982)			X		
82-78	Woodrum v. Donovan, 4 CIT 130 (Sept. 17, 1982)	Request for rehearing of 82-60 denied				
83-43	Woodrum v. Donovan, 5 CIT 191, 564 F. Supp. 826 (May 10, 1983), aff'd, 737 F.2d 1575 (Fed. Cir. 1984)		X			
81-92	Abbott v. United States, 2 CIT 140 (Oct. 13, 1981)	Order to proceed by Rule 56.1 mtn on agency record			X	
82-12	Abbott v. United States, 3 CIT 54 (Feb. 11, 1981)	Mtn to add new docs to AR denied; but remanded for reconsideration		X	X	
83-85	Abbott v. Donovan, 6 CIT 92, 570 F. Supp. 41 (Aug. 9, 1983)		X (re production workers)	X (re service workers)	X	
84-64	Abbott v. Donovan, 7 CIT 323, 588 F. Supp. 1438 (June 6, 1984)			X (2d remand)	X	
84-113	Abbott v. Donovan, 8 CIT 237, 596 F. Supp. 472 (Oct. 11, 1984)		X (re service workers)		X	
82-17	Tyler v. Donovan, 3 CIT 62, 535 F. Supp. 691 (March 11, 1982)	Def mtn to dismiss plaintiff's complaint for failure to commence the action within the prescribed sixty (60) day statute of limitations denied			X	
82-21	Brunelle v. United States, 3 CIT 76 (March 23, 1982)				X	X dism./60 day limit
82-121	Waschko v. Donovan, 4 CIT 271 (Dec. 28, 1982)				X	X dism. - 61 days
83-60	Samuel Katunich, Jane Rego & Guy Serra v. Sec. Ray Donovan, Dep't Labor, 5 CIT 274 (June 17, 1983)			X	X	X
83-113	Katunich v. Donovan, 6 CIT 226, 576 F. Supp. 636 (Nov. 3, 1983)	Access conf docs partial allowed, partial denied			X	
84-102	Katunich v. Donovan, 8 CIT 156, 594 F. Supp. 744 (Sept. 6, 1984)			X	X	
84-128	Katunich v. Donovan, 8 CIT 297, 599 F. Supp. 985 (Nov. 30, 1984)	X			X	
83-78	Miller v. Donovan, 6 CIT 67, 568 F. Supp. 760 (July 27, 1983)		X		X	

Sl.Op.		Labor grant certif. after remand aff'd	Labor deny certif. aff'd (appeal dism'd)	Case remanded to Labor	Pro se appeal	Timeliness at issue (SOL)
83-86	Gropper v. Donovan, 6 CIT 103, 569 F. Supp. 883 (Aug. 16, 1983)		X		X	
83-93	Nagy v. Donovan, 6 CIT 141, 571 F. Supp. 1261 (Sept. 16, 1983)		X		X	
83-128	Hedgpeth v. Donovan, 6 CIT 288 (Dec. 7, 1983)		X		X	
84-34	Cherlin v. Donovan, 7 CIT 158, 585 F. Supp. 644 (April 3, 1984)		X		X	
84-44	ACIWU Local 1627, AFL-CIO v. Donovan, 7 CIT 212, 587 F. Supp. 74 (April 19, 1984)		X		X	
84-48	Holloway v. Donovan, 7 CIT 237, 585 F. Supp. 1427 (April 25, 1984)		X		X	
84-82	Int'l Union, United Auto., Aerospace & Agricultural Implement Workers v. Donovan, 8 CIT 13, 592 F. Supp. 673 (July 10, 1984)		X			
84-138	Sugar Workers Union, Local 180 v. Donovan, 8 CIT 350 (Dec. 28, 1984)	Mtn add new docs to AR denied remanded for reconsideration		X		
85-80	Estate of William Finkel v. United States, 9 CIT 374, 614 F. Supp. 1245 (July 31, 1985)		X			
85-99	Gene R. Miller v. Donovan, 9 CIT 473, 620 F. Supp. 712 (Sept. 26, 1985)		X			
85-112	Dan Stipe v. U.S. Labor Dep't, 9 CIT 543 (Oct. 25, 1985)		X		X	
85-113	Chapman v. Donovan, 9 CIT 545 (Oct. 25, 1985)			X	X	
86-9	George Chapman v. Raymond J. Donovan, 10 CIT 26 (Jan. 16, 1986)	X			X	
85-127	ILWU Local 142 v. Raymond J. Donovan, 9 CIT 620 (Dec. 11, 1985)			X		
86-28	ILWU Local 142 v. Donovan, 10 CIT 161 (March 13, 1986)	Request for rehearing of 85-127 denied				
88-11	ILWU Local 142 v. Donovan, Sec. of Labor, United States, 12 CIT 87, 678 F. Supp. 307 (Jan. 28, 1988)			X		
85-132	Donna Kelley v. U.S. Labor Dep't, 9 CIT 646, 626 F. Supp. 398 (Dec. 30, 1985)	Pro se plaintiffs entitled to actual notice, court found jurisdiction and case remanded to the agency		X	X	
86-18	Donna Kelley v. U.S. Labor Dep't, 10 CIT 114 (Feb. 20, 1986)	Mtn for certif. on SOL issue denied			X	

Sl.Op.		Labor grant certif. after remand aff'd	Labor deny certif. aff'd (appeal dism'd)	Case remanded to Labor	Pro se appeal	Timeliness at issue (SOL)
86-39	Donna Kelley v. U.S. Labor Dep't, 10 CIT 250, 633 F. Supp. 1374 (April 2, 1986)	Clarification of opinion in 85-132			X	
86-66	Donna Kelley v. U.S. Labor Dep't, 10 CIT 446, 638 F. Supp. 1344 (June 27, 1986), rev'd, 812 F.2d 1378 (Fed. Cir. Feb. 26, 1987)		X		X	
	CIT upheld Labor's redeterm. denying certif.; on appeal, CAFC rev'd CIT decision based on lack of jurisdiction because complaint filed after 60-day statutory limit; CAFC rev'd CIT's pro se exception for constructive notice					
86-26	United Steelworkers of Am. v. Donovan, 10 CIT 147, 632 F. Supp. 17 (March 12, 1986)			X		
86-46	Retail Clerks Local 149F v. Donovan, 10 CIT 308 (Apr. 29, 1986)		X			
86-81	International Bhd. of Elec. Workers, Local 1160 v. Donovan, 10 CIT 524, 642 F. Supp. 1183 (Aug. 6, 1986)		X			
86-113	Former Employees of Badger Coal v. United States, 10 CIT 693, 649 F. Supp. 818 (Nov. 3, 1986)	Dismissed - failure to submit filing fee			X	
86-131	Former Employees of Westmoreland Mnftg v. United States, 10 CIT 784, 650 F. Supp. 1021 (Dec. 11, 1986)				X	X dism./1 year rule
87-24	Former Employees of Travenol Laboratories v. United States, 11 CIT 145 (March 9, 1987)				X	X dism./1 year rule
87-51	Former Employees of USX Corp. v. United States, 11 CIT 299, 660 F. Supp 961 (April 16, 1987)	Dismissed; petition did not follow statute's requirements			X	
87-65	United Mine Workers of Am. v. United States, 11 CIT 414, 664 F. Supp. 543 (June 3, 1987)		X			
87-85	Former Employees of LTV Steel Co. v. United States, 11 CIT 522 (July 16, 1987)				X	X dism./60 day limit
87-91	Frances Stidham, Cleo Tennie, Cora Estelle Surginer, and all others similarly situated v. U.S. Labor Dep't, 11 CIT 548, 669 F. Supp. 432 (Aug. 3, 1987)			X		
87-119	Former Employees of Asarco's Amarillo Copper Refinery v. United States, 11 CIT 815 (Nov. 2, 1987)		X		X	
87-122	Former Employees of Delco Sys. Operations, Culpeper, Virginia v. United States, 11 CIT 825, 685 F. Supp. 1263 (Nov. 5, 1987)			X	X	
88-59	Former Employees of Delco Sys. Operations, Culpeper, Virginia v United States, 12 CIT 415 (May 17, 1988)		X		X	

Sl.Op.

		Labor grant certif. after remand aff'd	Labor deny certif. aff'd (appeal dism'd)	Case remanded to Labor	Pro se appeal	Timeliness at issue (SOL)
87-124	Former Employees of Zapata Offshore Co., Inc. v. United States, 11 CIT 841 (Nov. 9, 1987)		X			
87-144	Former Employees of Geosearch, Inc. v. United States, 11 CIT 953 (Dec. 30, 1987)				X	X dism./60 day limit
88-41	Former Employees of Homestake Mining Co. v. William E. Brock, Sec. of Labor, 12 CIT 270 (March 28, 1988)		X			
88-50	Former Employees of Levolour Lorentzen v. U.S. Sec. of Labor, 12 CIT 342 (April 28, 1988)				X	X dism./1 year rule
88-61	Bunker Ltd. Partnership v. Brock, 12 CIT 420, 687 F. Supp. 644 (1988)		X			
88-68	Former Employees of Bass Enterprises Prod. Co. v. United States, 12 CIT 470 (May 27, 1988)			X	X	
88-82	Former Employees of Bass Enterprises Prod. Co. v. United States, 12 CIT 592, 688 F. Supp. 1551 (June 28, 1988)	Mtn to stay remand pending appeal denied			X	
88-94	Former Employees of Bass Enterprises Prod. Co. v. United States, 12 CIT 656, 691 F. Supp. 373 (July 20, 1988)	Request for rehearing of 88-82 denied			X	
89-9	Former Employees of Bass Enterprises Prod. Co. v. United States, 13 CIT ___, 706 F. Supp. 897 (Jan. 24, 1989)			X	X	
89-54	Former Employees of Bass Enterprises Prod. Co. v. United States, 13 CIT ___ (April 26, 1989)	X After two remands, Labor granted petition for certification, court thus dismissed plaintiff's challenge of agency's earlier denial of certification				
89-59	Former Employees of Bass Enterprises Prod. Co. v. United States, 13 CIT ___ (May 3, 1989)	Mtn to strike brief filed after time allowed granted				
88-114	Former Employees of Tyco Toys, Inc. v. William E. Brock, 12 CIT 781 (Aug. 26, 1988)			X		
89-41	Former Employees of Tyco Toys, Inc. v. William E. Brock, 13 CIT ___ (March 31, 1989)		X			
88-121	Former Employees of ITT v. Sec. of Labor, 12 CIT 823 (Sept. 12, 1988)				X	X dism./60 day limit
88-149	Grace Smith et al. v. William Emerson Brock, III, 12 CIT 1009, 698 F. Supp. 938 (Oct. 28, 1988)			X		
89-27	Western Conference of Teamsters v. William E. Brock, 13 CIT 709 F. Supp. 1159 (March 1, 1989)			X		

Sl.Op.		Labor grant certif. after remand aff'd	Labor deny certif. aff'd (appeal dism'd)	Case remanded to Labor	Pro se appeal	Timeliness at issue (SOL)
90-91	Western Conf. of Teamsters v. William E. Brock, Sec., U.S. Dep't of Labor, 14 CIT ___ (Sept. 12, 1990)		X			
89-71	Former Employees of Rocky Mountain Region Office of Terra Resources, Inc. v. United States, 13 CIT ___, 713 F. Supp. 1433 (May 23, 1989)		X		X	X dism./61 days
89-74	Former Employees of J.S. Designers, Inc. v. United States, 13 CIT ___ (May 31, 1989)	Notice that action subject to dismissal if atty is not obtained or pro se mtn not filed				
89-98	Former Employees of J.B. Designers, Inc. v. United States, 13 CIT ___ (July 19, 1989)	Dismissed for lack of prosecution				
89-79	Former Employees of Linden Apparel Corp. v. United States, 13 CIT ___, 715 F. Supp. 378 (June 6, 1989)			X		
90-27	Former Employees of Linden Apparel Corp. v. United States, 14 CIT ___ (March 19, 1990)		X			
89-85	United Mine Workers of America District No. 5 v. U.S. Dept. of Labor, 13 CIT ___ (June 19, 1989)		X			
89-87	Former Employees of Suttle Apparatus Corp. v. U.S. Sec. of Labor, 13 CIT ___ (June 23, 1989)					X dism./60 day limit
89-88	Former Employees of NL Industries, Inc. v. United States, U.S. Dept. of Labor, 13 CIT ___, 715 F. Supp. 1110 (June 27, 1989)				X	X dism. - petition not timely
89-107	Former Employees of Baker Perkins v. United States, 13 CIT ___, (July 26, 1989)			X	X	
90-20	Former Employees of Baker Perkins v. United States, 14 CIT ___ (March 1, 1990)		X		X	
89-110	Former Workers, United Mine Workers Local 7925 v. United States, 13 CIT ___ (Aug. 1, 1989)		X			
89-111	Former Employees of CSX Oil v. United States, 13 CIT ___, 720 F. Supp. 1002 (Aug. 3, 1989)		X		X	
89-112	Former Employees of Monroe Oil & Gas v. United States, 13 CIT ___, (Aug. 7, 1989)				X	X dism. - petition not timely

Sl. Op.		Labor grant certif. after remand aff'd	Labor deny certif. aff'd (appeal dism'd)	Case remanded to Labor	Pro se appeal	Timeliness at issue (SOL)
89-118	Former Employees of Jermian Corp. v. United States, 13 CIT ___, 718 F. Supp. 1549 (Aug. 24, 1989)		X		X	
89-119	Sugar Workers Union, Local 1660, ILA, AFL-CIO v. United States, 13 CIT ___ (Aug. 25, 1989)			X		
90-135	Sugar Workers Union, Local 1660, ILA, AFL-CIO v. Elizabeth Dole, Sec. U.S. Labor Dep't, 14 CIT ___, 755 F. Supp. 1071 (Dec. 21, 1990)		X			
89-132	Lillian Cohen v. U.S. Sec. of Labor, 13 CIT __ (Sept. 14, 1989)	Dismissed - lack of standing			X	
89-139	Former Employees of Billingsley Drilling Co. v. United States, 13 CIT ___ (Oct. 10, 1989)		X		X	X dism. - petition not timely
89-157	Former Employees of Kerr Finishing, Inc. v. United States, 13 CIT ___ (Nov. 1, 1989)		X			
90-16	Former Employees of Southern Triangle Oil Co. v. U.S. Sec. of Labor, 14 CIT ___, 731 F. Supp. 517 (Feb 14, 1990)			X	X	
90-43	Former Employees of Southern Triangle Oil Co. v. U.S. Sec. of Labor, 14 CIT ___ (May 4, 1990)	X			X	
91-09	Former Employees of Southern Triangle Oil Co. v. U.S. Sec. of Labor, 15 CIT ___ (Feb. 14, 1991)	Remand after CAFC vacated 90-43		X	X	
91-24	Former Employees of Southern Triangle Oil Co. v. U.S. Sec. of Labor, 15 CIT ___ (April 5, 1991)	X			X	
90-18	Former Employees of Parallel Petroleum Corp. v. U.S. Sec. of Labor, 14 CIT ___, 731 F. Supp. 524 (Feb. 27, 1990)			X		
87-95	United Elec., Radio and Mach. Workers of Am., Local 610 v. United States, 11 CIT 590, 669 F. Supp. 467 (Aug. 13, 1987)	Request for access to conf. docs used in Labor's supp. AR granted				
90-19	United Electrical, Radio and Machine Workers of America, Local 610, Michael Murphy, James Cappetta and Edward Kristofik v. William Brock, 14 CIT ___, 731 F. Supp. 1082 (Feb. 27, 1990)		X (in part)	X (in part)		
90-131	United Electrical, Radio and Machine Workers of America, Local 610, Michael Murphy, James Cappetta and Edward Kristofik v. Elizabeth Dole, 14 CIT __ (Dec. 13, 1990)			X		
91-53	United Electrical, Radio and Machine Workers of America, Local 610, Michael Murphy, James Cappetta and Edward Kristofik v. Lynn Martin, Sec. of Labor, U.S. Labor Dep't, 15 CIT ___ (June 27, 1991)	X (certification ordered by court)				

Sl.Op.		Labor grant certif. after remand aff'd	Labor deny certif. aff'd (appeal dism'd)	Case remanded to Labor	Pro se appeal	Timeliness at issue (SOL)
90-57	Former Employees of R.L.D. Dress Co. v. United States, 14 CIT (June 14, 1990)		X		X	
90-80	Former Employees of Health-Tex, Inc. v. United States, 14 CIT (Aug. 27, 1990)		X		X	
90-118	Former Employees of Health-Tex, Inc. v. U.S. Sec. of Labor, 14 CIT (Nov. 15, 1990)	Mtn for rehearing of 90-80 denied			X	
90-86	Former Employees of General Electric Corp. v. United States, 14 CIT (Sept. 6, 1990)			X		
90-123	Former Employees of AT&T Technologies, Dallas Works v. United States, 14 CIT (Nov. 26, 1990)	Mtn for remand based on new evidence denied			X	
91-5	Former Employees of Malapai Resources Co. v. Elizabeth Dole, Sec. of Labor, U.S. Labor Dep't 15 CIT (Feb. 5, 1991)				X	X dism./60 day limit
91-19	Former Employees of Boise Cascade Corp. v. U.S. Sec. of Labor, 15 CIT (March 20, 1991)		X		X	
91-20	United Steel Workers of America, Local 1082, Leonard Newman, John Shotten, John Agudio, Henry Jackson, Joseph Malack, Ray Steiner, Arzie Hall & Frank Zadalak v. Ann McLaughlin Sec. of Labor, 15 CIT (March 22, 1991)		X			
91-48	Int'l Union, United Automobile, Aerospace & Agricultural Implement Workers of America, UAW & UAW Local 595 v. U.S. Sec. of Labor, 15 CIT (June 7, 1991)			X		

STATEMENT OF MEMBERS OF THE PENNSYLVANIA EMPLOYMENT POLICY INSTITUTE

With regard to hearings held in Washington on October 3,of this year before the Senate Finance Committee,the undersigned wish to make the following statement:

A basic assumption of the Trade Adjustment Assistance Act (TAA/TRA) is the notion that if public policy embraces a free trade concept and departs from protecting jobs and industries through protective tariffs, then specific groups of affected workers should not have to bear the full burden of that policy through loss of their jobs. TAA provides that if a group of workers lose their jobs by reason of unrestricted foreign competition, rather than erecting barriers to protect workers from that competition, we will provide those workers with an opportunity to train for reemployment and to receive an extension of income support. TAA is based on a basic principle of fairness which rejects placing an unequal burden upon a particular group as the result of a policy which is thought to be generally beneficial.

Both the current administration and the Reagan administration have sought to phase out TAA/TRA and shift some of its resources to the Job Training Partnership Act. They now seek to provide training and income support through JTPA as opposed to TAA for those workers who may lose jobs as a result of the free trade agreement with Mexico. We would oppose such an initiative for the following reasons:

1. Training under JTPA is typically short term training. In Pennsylvania the local administrative agencies of the JTPA lack sufficient funds to serve the total population who have lost their jobs due to plant closings and downsizings. In order to serve as many individuals as possible, there is a strong incentive to provide short term, rather than long term, training. Very few workers get more than 20 weeks of training under JTPA programs. In Pennsylvania, however, training under TAA/TRA may be for periods of up to two years in duration.

2. Shorter periods of training tend to result in lower wages at reemployment. According to a study conducted at George Washington University by Sar Levitan, workers involved in training of 40 weeks or more under TAA had more than six times the earnings gains of those enrolled in training for 11-20 weeks (Levitan, Protecting American Workers, BNA 1986 p. 48 Studies by Judith Gueron of the Manpower Demonstration Research Corp. also support the magnitude and direction of these findings).

3. DOL encourages local JTPA Service Delivery Areas to provide service to those with multiple barriers to employment and to avoid "creaming". The result has been a tendency for many SDAs in administering both Title II and Title III (EDWAA) under JTPA to emphasize service to the disadvantaged population rather than the dislocated. Thus offices have tended to impose income tests and other tests of deficiency prior to finding a dislocated worker eligible for training services and supportive services.

If services to workers dislocated by the free trade agreement are provided under the auspices of JTPA, the unintended effect will be that workers who are dislocated by reason of foreign imports or the removal to foreign soil of their jobs, will find it difficult to gain access to services in many of the SDAs in Pennsylvania. This will be true for workers who have a history of strong, consistent attachment to the work force and in many situations, these workers will have to exhaust their own resources before assistance will be

made available. Their behavior as good economic citizens will be neither rewarded nor reinforced. Moreover, many such-workers will reject seeking service because all too often the local employment and training office is understood to be part of the welfare system.

4. Finally, our experience with the two programs in Pennsylvania has been that there was general rejoicing among the professional staff charged with supplying service to dislocated workers when workers were certified TAA/TRA eligible. It was understood that the quality of available service would be improved as a result. Further participation rates once TAA/TRA eligibilty was established increased dramatically because the dislocated worker population also understands that the TRA/TAA program is more comprehensive and beneficial.

We feel that the provisions of TAA should be made available to workers who lose their jobs as a result of the North American Free Trade Agreement or other similar trade agreements and that these provisions should be extended so as to provide benefits to workers not only as a result of competition from Mexico but the law should also specifically apply to situations where a facility previously located in the United States moves across the border. Indeed we feel that if a work site moves across our borders, certification as trade impacted should automatically be granted by DoL to workers who lose their jobs as a result so as to minimize delays in providing services.

It is important to note that funding levels for both TAA and EDWAA fall very far short of meeting the needs of workers who lose their jobs due to economic dislocation whether caused by foreign competion or not. Further the same equity principles apply to workers who are dislocated by reason of a policy decision to reduce defense expenditures. They also should not have to bear a disproportionate share of the downside of what is otherwise a welcome change in the burdens upon this society.

It is our hope that the Finance Committee can look into effective employment and training programs for these workers as well. The major barrier for effective training and retraining of our workforce is appropriate income support during the period of training. While JTPA theoretically provides supportive payments, a recent study by SRI International in California found that due to inadequate funding to support the total range of services required under EDWAA-including the requirement to spend 50 % of EDWAA funds on training, there simply is not enough dollars to provide realistic supportive and needs-related payments. The 15 states in the study were spending less than 5% of available funds on supportive and need-related payments. In fact, those states were providing more income support for Title II eligible clients than for EDWAA clients. Apparently a worker who loses his job by reason of plants closing or jobs moving off shore or by reasons of changed policy priorities must be driven into abject poverty before the employment and training system under JTPA can be of substantial assistance. It is for these reasons that we strongly support TRA/TAA as the more effective program of employment and training as these two legislative programs are currently structured.

The undersigned are the members of The Pennsylvania Employment Policy Institute. We are a group with experience and expertise in the area of research on economic policy issues from Pennsylvania institutions of higher learning and former officials of the Pennsylvania Dept of Labor and Industry. We have come together to share our concerns with government leaders and with the public about the critical nature of the policy issues on employment and training currently before the nation.
October 21, 1991.

Frank Doherty, Pennsylvania Center for the Study of Labor Relations, Indiana University of Pennsylvania.

Dr. Alice M. Hoffman, Research Affiliate Bryn Mawr College; retired Director of Pennsylvania Dislocated Workers Unit.

Dr. Tom Juravich, Associate Prof of Labor Studies and Industrial Relations. The Pennsylvania State University.

Margaret Koppel, Director of Economic Research, Social Research Corp, Wyncote, Pa.

Dr. Ross Koppel, President, Social Research Corp. Wyncote, Pa.

Dr. Charles McCollester, Associate Director of the Pennsylvania Center for the Study of Labor Relations, Indiana University of Pennsylvania.

Franklin G. Mont, Director of Internal Affairs, United Steelworkers of America. Former Deputy Secretary for Employment and Training Pennsylvania Dept. of Labor and Industry

Martin Morand, Director of The Pennsylvania Center for the Study of Labor Relations, Indiana University of Pennsylvania

Dr. Carolyn Needleman, Graduate School of Social Work, Bryn Mawr College; Director Occupational and Environmental Health Program, Bryn Mawr College; Senior Research Fellow, Workplace Health Fund, Washington, D.C.

Dr. Martin Needleman, Sociology Dept. Dickinson College, Carlisle, Penna.

Irv Rosenstein, Program Director, Labor Education Program, Temple University, Philadelphia, Pa.

Dr. Arthur Shostak, Professor, Sociology Dept. Drexel University. Author.

Dr. Morton Sklar, Director of the Dislocated Worker Project of The Pennsylvania Institute on Public Policy; former director of Jobs Watch: Faculty of Law, Catholic University, Washington, D.C.

STATEMENT OF THE INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE, AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA, UAW

I. INTRODUCTION

This statement is submitted for the record on behalf of the International Union, UAW. The UAW commends the Chairman and the Committee for conducting a hearing on the operation of the Trade Adjustment Assistance program and other programs for dislocated workers. The examination of these programs is particularly pressing in light of the proposed North American Free Trade Agreement (NAFTA) and the resulting dislocation which will occur if the NAFTA is approved by Congress.

The UAW represents hundreds of thousands of workers in the automobile, aerospace, agricultural implement, and other industries in all regions of the United States. These workers make automobiles, trucks, construction equipment, farm implements, component parts, appliances, fabricated metal products, and many other products which have strong foreign competition. Many of these industries and thousands of their workers have been severely hurt by import competition over the last twenty years.

A. The Trade Adjustment Assistant Program, With Improvements, Is The Best Way To Help Workers Hurt By Trade

While the proponents and the opponents of the NAFTA disagree over its likely net affect on the number of jobs in the United States, the UAW hopes that all will agree on the vital necessity of adequately protecting workers hurt by our nation's trade policies. We believe the TAA program, which is intended to assist workers who suffer as a result of U.S. trade policies, furnishes the most logical vehicle for adoption to the new challenges presented by the NAFTA. Now is the time to reexamine the TAA program to eliminate its shortcomings and to improve its effectiveness. We believe that this reexamination will lead Congress to conclude that a revitalized and improved Trade Adjustment Assistance (TAA) program is the best method of providing a fair and adequate worker adjustment assistance program for individuals impacted by trade policies.

The UAW believes that there is a compelling case for changes in the scope and direction of the TAA program in order to realize the promise of effective adjustment assistance to workers harmed by our trade policies. The UAW played an active role in developing the proposals submitted by the AFL-CIO to this Committee at its recent hearing regarding TAA. We support the program proposed by the AFL-CIO. The UAW's purpose here is not to duplicate that testimony, but to supplement the record with additional information supporting the adoption of improvements in the TAA program.

B. TAA Has Suffered From A Hostile And Indifferent Administration By The Secretary of Labor

Over the last ten years, the attitude of the Executive Branch toward TAA has ranged from outright hostility to indifference. The repeal of TAA was usually part of each year's budget proposal, a proposal Congress has repeatedly rejected It is hypocritical for the Department of Labor to come before this Committee and belittle the TAA program when many of its shortcomings arise directly from the Administration's hostility or indifference toward the TAA program.

For example, delays in TAA certifications and inadequate investigations of TAA petitions largely arise from the inadequate staff and resources in the Office of Trade Adjustment Assistance. Inadequate coordination with EDWAA, JTPA, and UI results, in large measure, from the failure to fund state agencies for coordination activities. Poor job counseling and referral to inappropriate training is a natural consequence of the underfunding or absence of funding for these TAA activities by state agencies. The Labor Department has never sought adequate funding for TAA because it would prefer its elimination.

Barring elimination, the Department has used its best efforts to undermine TAA. Congressional intent to give trade- injured workers the full benefits provided by TAA has been repeatedly thwarted by the Department. One current example is the lack of final regulations to implement the 1988 TAA amendments. Other examples are DOL regulations or rulings which give crabbed readings to the Trade Act. A result of this sort of federal administration, coupled with the inadequate funding of state agencies' TAA activities, many trade-impacted workers are denied the adjustment assistance which Congress intended to provide to them.

Few, if any, unions have had the number of workers dislocated as a result of trade as we have had in the UAW. As a result of this unfortunate fact, the UAW

has a great deal of experience with trade adjustment assistance and other dislocated worker programs. We have monitored these programs as they are implemented by the state agencies. We have also filed hundreds of TAA petitions since 1975. In addition, the UAW has been forced to sue the Secretary of Labor over a dozen times since the late 1970s in order to resist the consistently restrictive administration of the TAA program by the Secretary of Labor.

Based upon the UAW's long and extensive involvement with TAA and other dislocated worker programs, we urge the Congress to adopt an expanded and improved TAA program as the most effective way to protect workers adversely affected by the implementation of the NAFTA.

II. FUNDING OF TAA

In 1988, Congress enacted the Omnibus Trade and Competitiveness Act. OTCA provided a number of improvements in TAA and also removed a number of statutory and administrative barriers to TAA's effectiveness. A very significant remaining barrier is the absence of reliable and adequate funding for the TAA program. Currently, training funds are subject to an annual appropriations cap and TRA benefits are subject to Gramm-Rudman sequestering. In order to ensure that the promise of TAA to workers is not illusory due to budgetary constraints, the Congress must provide reliable funding for TAA by adopting a funding mechanism which fulfills the nation's commitment to provide adjustment assistance to workers hurt by U.S. trade policies.

TAA funding mechanisms have been repeatedly considered by the Congress. OTCA provided that additional workers outside the oil and gas industry would gain TAA protection upon the negotiation of a GATT-approved import fee. The fees were to be collected for a trust fund to pay for TAA. The Administration did not get GATT approval and the President reported to Congress last year that to impose an import fee was not in the national interest. Congress did not enact a resolution disapproving this Presidential finding. As a result, the import fee and trust fund currently on the books will not take effect. In 1986, the Congress made TAA training an entitlement, subject to a sufficient appropriation of funds. While this reduced the Secretary of Labor's discretion to not adequately fund TAA training, it still left open the possibility of a cut-off in TAA training and TRA for certified workers due to an inadequate appropriation in a fiscal year.

The UAW strongly urges the Committee to provide reliable and adequate funding for TAA. Serious consideration should be given to a trust fund derived from trade-related revenue, such as revenues from an import fee or a diversion of tariff revenues. Without reliable and adequate funding, adjustment assistance for trade-impacted workers will remain a partially-fulfilled promise, at best.

III. EXPANDED ELIGIBILITY FOR CERTIFICATION

The UAW supports the continuation of the principle that only those workers to which trade "contributed importantly" to their layoffs are properly eligible for TAA. However, the Trade Act currently protects only *some workers* adversely affected by *some imports*. TAA eligibility should be expanded to include other workers whose loss of work is directly attributable to U.S. trade policies.

Under current law, workers must meet three criteria for certification of eligibility for TAA. In addition to demonstrating that a significant number of employees have been laid off due a decrease in sales or production, the third criteria of Section 222 of the Trade Act of 1974 requires that increased imports of "like or directly competitive products" have "contributed importantly" to the layoffs and the decreased sales or production. This third criterion limits TAA eligibility in significant ways, blocking TAA certifications in many cases which are clearly trade related. The expansion in trade under U.S. free trade policies foreseen for the coming decade merits the removal of these barriers to TAA certification for workers unemployed due to that increased trade.

The UAW has experienced a continuing frustration with denials of TAA certifications despite increased trade deficits and declining employment in the domestic industry. In some cases, the Labor Department has attempted to distinguish between unemployment caused by imports and unemployment due to an economic recession. This places a very difficult burden of proof on workers to establish that imports have contributed importantly to their unemployment. We recommend that Congress adopt a revised standard for TAA certifications in years in which there is a trade deficit and increased unemployment in an industry. In these cases, the burden should be on the Department of Labor to show why a TAA petition should not be

approved. We also believe that Congress should expand the ability of workers and unions to provide information to the Department supporting a certification petition.

A. Workers Whose Jobs Are Exported Deserve TAA Protection

As Chairman Bentsen has pointed out, many times workers whose jobs are exported are not covered by TAA. The UAW was involved in a TAA petition in the mid-1980s involving the Harnishfeger Corporation's facility in Escanaba, Michigan. The facility made lattice-boom cranes until it was closed by Harnishfeger in 1985. A good deal of the Michigan production was shipped to Australia and Southeast Asia. At the time of the closing, Harnishfeger entered into a joint venture with Kobe Steel in Japan. The joint venture plant then manufactured the same product in Japan formerly built in Escanaba and sold its products in the Pacific rim area. The union could not establish that any cranes made in Japan were imported back into the United States, and crane imports in general were low because of the recession. As a result of the lack of evidence regarding imports, the UAW was unable to get TAA for the 1400 workers who were permanently laid off in this plant closing despite the fact that their jobs were directly exported to Japan.

Even in the case of exported jobs and subsequent, known imports of the same article, we have had problems in establishing TAA eligibility. This is because the Department of Labor often requires imports *prior* to the unemployment at the affected plant, based upon the Department's reading of the Trade Act's import causation test. This import timing problem has arisen a number of times.

One memorable example occurred at the Bendix Corporation facility in Elmira, New York. These workers were denied TAA certification by the Trade Commission in 1973 after their plant was closed and all production of bicycle brakes was moved to Mexico. Even though the plant in Mexico directly replaced the brake production of the Elmira plant, TAA certification was denied because there were no Mexican imports prior to the closing of the U.S. plant. This timing issue has arisen in other cases as well.

It is hard to think of a situation more trade-related than the export of a worker's job. We believe there will be a larger number of such cases involving Mexico, in the event the NAFTA is adopted. TAA certification for workers laid off due to the export of their jobs should not depend on their having to prove increased imports, since direct impact from trade is not limited to workers hurt by imports.

B. TAA Coverage For Secondary Workers Is Overdue

The UAW has also suffered a number of denials of TAA certification in cases involving so-called "secondary workers." These "secondary workers" furnish essential goods or services to import affected firms, but don't work for the affected firm or its subdivision. Under current law, secondary workers in the oil and gas industry are protected by TAA coverage, but all other secondary workers are not. Component workers who are not employed by an affected firm are not eligible for TAA unless they can show increased imports of the "like and directly competitive" component itself, rather than the finished product.

Two illustrations of many UAW experiences will suffice. In the late 1970s, workers at the independent spark plug manufacturer Champion Spark Plug were denied TAA certification while workers at the General Motors Corporation's AC Spark Plug were found eligible for TAA. All were laid off due to the large increase in imports of Japanese cars, but the TAA eligibility of the Champion workers was blocked by the "like and directly competitive" requirement of the third criterion of the Trade Act.

In early 1991, UAW-represented workers employed at a Western Pennsylvania maker of steel ingot molds were denied TAA because their layoffs were due to imported steel reducing domestic demand for ingot molds, not as a result of the import of molds. In other words, steel is not considered "like and directly competitive" with ingot molds, just as spark plugs don't compete with imported automobiles which contain spark plugs. This restriction under current law leads to many denials of TAA where the impact of imports is well established.

The UAW has long fought for TAA protection for secondary workers. It is inequitable and unfair to distinguish between component workers hurt by imports on the basis of the corporate structures of their employers. Secondary workers whose firms supply essential goods or essential services to trade affected firms should be eligible for TAA.

C. Increase the Flexibility of TAA's Trade Impact Test

Increasingly, UAW represented workers are losing jobs to foreign "transplant" operations located in the United States. Automobiles are not the only products affected, with transplant operations in electronics, parts suppliers, clothing and other in-

dustries. Surprisingly, there is not a definition of "import" in the TAA program. Since the 1974 enactment of the Trade Act, the transplant phenomena has dramatically increased. As a consequence, the current practice of treating an article as domestic, unless the article crosses the U.S. border in its final form, is obsolete.

For example, automobiles assembled by transplant operations in the United States often have a low "domestic content." That is, the final "article" consists of a substantial number of imported components. In the case of the vehicles assembled by most transplant operations in the U.S., a majority of the vehicles' components are imported. However, under current law, these vehicles count 100% as domestic vehicles.

In our view, a suitable response to this problem is to define imports, for purposes of TAA, to include domestically assembled articles which have lower domestic content, in terms of the value of its component articles, than the article produced by the petitioning workers. We urge the Committee to carefully consider this proposal for addressing the growing problem presented by the increased numbers of transplant operations in the U.S.

Another inequity arises when production shifts between facilities within a corporation due to import competition or the export of jobs, but the specific location at which jobs are lost is not directly trade affected. For example, layoffs occur at one plant due to consolidation of production at a second plant. This consolidation is caused by import competition and a reduced domestic market for the product. TAA certification at the second plant is not needed, since the workers are still employed. TAA certification at the first plant is often denied because layoffs are attributed by the Department of Labor to shifts in production to other U.S. locations rather than imports.

The UAW supports greater flexibility in determining import causation for TAA certification. Workers laid off due to relocation of production to another U.S. location where employment is or would have been adversely affected by imports or the export of jobs should be covered by TAA.

IV. Improved Treatment Of Certified Workers

Workers who are certified for TAA need expanded benefits and better services in order to adjust to trade dislocations without unwarranted economic hardship. Currently, a number of restrictions and policies limit the effectiveness of the TAA program as an adjustment program, despite the lifting of many restrictive elements by Congress in the 1988 legislation.

In 1988, Congress provided that a worker in training who was drawing his or her 26 additional weeks of Trade Readjustment Allowances should not be cut off TRA during school breaks of 14 days or less. In 1986, Congress extended the 52-week period in which a certified worker can draw his or her TRA benefits to a 104-week period. Despite these liberalizing steps, a number of obstacles are still created by these time limits.

For example, the up-to-26-week-period for drawing additional TRA begins to run once training starts. If training is interrupted for any reason, the worker is not paid TRA while out of training and loses those weeks of additional TRA once training resumes. The UAW has had this situation arise in some of our General Motors TAA certifications when GM temporarily recalls a laid-off worker who is in TAA training. The worker is virtually compelled to accept the recall, since a variety of UAW-GM contractual income security provisions could be lost in the event the recall is refused. The worker drops out of TAA training, returns to work for a few weeks, and then waits until a new training cycle begins. In the process, much or all of the worker's eligibility for additional TRA expires. A similar process occurs in a variety of circumstances under the 104-week provision.

We believe that Congress did not intend these inequitable results. These problems could be eliminated by having the 26-week and 104-week period run (for weeks after basic TRA eligibility has expired) only during weeks in which the worker is in training.

The 210-day rule was adopted in 1981 by Congress. The rule requires a worker to file an application for TAA training within the latter of his or her separation from affected employment or the date of TAA certification. The rule was intended to prevent workers from delaying their applications for TAA training in order to simply extend their eligibility for TRA. In 1986, Congress made training or a waiver of training a condition of eligibility for basic TRA as well as additional TRA. In addition, Congress has required state agencies to promptly assess the training needs of TAA-certified workers and to inform workers of the need to apply for training.

However, the 210-day rule remains on the books and still disqualifies workers who miss the deadline through no fault of their own and without any dilatory conduct

on their part. The Department of Labor has diligently enforced the 210-day rule, despite the fact that it has no practical purpose in light of subsequent amendments.

The UAW successfully sued the Department in federal court in 1989 on behalf of several hundred Michigan UAW members who were never told of the 210-day rule, followed all state agency instructions, and were denied additional weeks of TRA because they missed the 210 day deadline. Since this victory, the Department has sent written instructions to state agencies demanding strict adherence to the 210-day rule in all states other than Michigan.

This barrier serves no purpose. The 210-day rule should be repealed. Alternatively, Congress should require workers to apply for TAA training within 45 days of being told to do so by a state agency.

The Department of Labor's treatment of recoupment or recovery of TAA non-fraud overpayments furnishes a further example of the Department's approach to TAA. Prior to 1981, the Trade Act contained no provision for recovery of non-fraud overpayments of TAA. In 1981, Congress amended the Act to require recovery of non-fraud overpayments, while providing for waiver of repayment if recovery would be contrary to "equity and good conscience." The Department of Labor responded to the 1981 amendment by directing state agencies to collect overpayments and to not grant waivers. The UAW sued and won. The Department was ordered to promulgate regulations and to not collect overpayments until doing so. The Department delayed issuing final regulations until December 22, 1986.

In the final regulations, the Labor Department interpreted the 1981 amendment as giving states an option as to whether or not to even consider non-fraud TAA overpayment waiver requests. In addition, the Department set a standard of "equity and good conscience" which required "extraordinary financial hardship" for waivers. The UAW sued to challenge both of these regulations. In 1990, a divided panel of the federal court of appeals deferred to the Labor Department's purported regulatory expertise and denied the UAW's challenge to the recoupment regulation.

The Labor Department's interpretation of the recovery and waiver provision should be reversed by Congress. Under the Labor Department's regulations, Congress went from not providing for recovery of non-fraud overpayments to requiring recovery of all overpayments, or at a state's option, of waiving recovery only in cases of extreme hardship. The Department's standard for "equity and good conscience" is the strictest found in the Codes of Federal Regulations. Nothing known to the UAW indicates that Congress intended such harsh treatment of TAA recipients who have non-fraud overpayments.

V. CONCLUSION

In conclusion, the UAW wishes to thank the Chairman and the members of the Committee for this opportunity to address its concerns regarding the operation and effectiveness of the Trade Adjustment Assistance program. We pledge our best efforts to work with you in order to better protect workers injured by U.S. trade policies.