

Strengthening Trade Adjustment Assistance

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In 1962, when the United States was running a trade surplus, imports were barely noticeable, and manufacturing employment was increasing, Congress made a commitment to assist American workers, firms, and communities hurt by international trade, by establishing the Trade Adjustment Assistance (TAA) program. This commitment was based on an appreciation that despite their large benefits, widely distributed throughout the economy, international trade and investment could also be associated with severe economic dislocations. President John F. Kennedy best enunciated this commitment when he wrote,

Those injured by trade competition should not be required to bear the full brunt of the impact. Rather, the burden of economic adjustment should be borne in part by the federal government.... [T]here is an obligation to render assistance to those who suffer as a result of national trade policy.¹

1. Special Message to Congress on Foreign Trade Policy, January 25, 1962. See Kennedy (1963).

More than 40 years later, with a trade deficit above 5 percent of GDP, with imports as a percent of GDP five times what they were in 1962, and with manufacturing employment falling, this commitment is more important than ever before.

The US economy is currently facing significant pressures from intensified domestic and international competition. There is no “magic bullet” to deal with the pressures from globalization. More worker training alone will not be sufficient to address the large adjustment burden placed on workers and their families. A comprehensive set of integrated efforts is necessary to help the economy adjust to the enormous pressures from globalization. These efforts should not be handouts, but rather targeted, yet flexible assistance aimed at raising productivity and enhancing US competitiveness.

The TAA for Workers, TAA for Firms, and TAA for Farmers and Fishermen programs are part of this strategy. Although the impact of globalization on the US economy calls for strengthening these programs, sound economic policies are the most important prerequisite for responding to the pressures from globalization. In that regard, TAA is a complement to trade policy, not a substitute for it.

WHY TARGETED ASSISTANCE FOR THOSE AFFECTED BY GLOBALIZATION?

Assisting workers move from declining, inefficient industries to growing, highly efficient industries, although painful to workers and their families, can contribute to increasing national productivity and raising living standards. Efforts aimed at encouraging this adjustment are central to any effort at enhancing US competitiveness.

Empirical studies suggest that the benefits of international trade to the US economy are large and widely distributed. One such study finds that international trade contributes approximately \$1 trillion a year to the US economy. These benefits are five times the estimated costs, primarily from job and earnings losses, associated with trade (Bradford, Grieco, and Hufbauer 2005).

Although the costs associated with opening the economy to increased international competition are significant to those incurring them, relative to the benefits and the size of the economy, they tend to be smaller and more highly concentrated. TAA is

Table 1 Distribution of certified petitions by reason, 2002–07

| Grouping | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|---------|---------|---------|---------|---------|--------|
| Number of all petitions submitted | 2,796 | 3,585 | 3,215 | 2,594 | 2,488 | 1,086 |
| Number of workers covered by all petitions submitted | 336,833 | 304,126 | 210,153 | 155,712 | 168,871 | 93,903 |
| Percent of petitions certified | 59 | 53 | 56 | 60 | 58 | 63 |
| Percent of certified petitions due to increased imports | n.a. | 47 | 55 | 55 | 53 | 46 |
| Percent of certified petitions due to secondary workers | n.a. | 8 | 9 | 6 | 8 | 9 |
| Percent of certified petitions due to shifts in production | n.a. | 30 | 36 | 39 | 39 | 44 |

n.a. = not available

Source: US Department of Labor.

one means of sharing some of the benefits of trade with those workers and communities paying a heavy price for that policy.

The high concentration of the adverse effects of trade and investment on workers, firms, farmers and fishermen, and communities introduces political concerns. Strengthening the commitment to address these distributional consequences could reduce opposition to adopting policies aimed at further liberalization of trade and investment. This rationale has taken on increased importance in recent years, as opposition to trade liberalization has grown.

TAA FOR WORKERS

The TAA for Workers program is by far the largest of the three existing programs. In order to receive assistance, workers must show that they lost their jobs due to any one of the following three eligibility criteria:

- an increase in imports;
- laid off from either an upstream or downstream producer; or
- a shift in production to another country.²

Each of these criteria must have “contributed importantly” to a firm’s decline in production and sales. Table 1 presents the distribution of certified petitions by reason. In contrast to estimates made during the congressional debate over the 2002 reforms, the number of certified petitions related to shifts in

production is much larger than the number of certified petitions for secondary workers.

Workers covered by certified petitions are currently eligible for the following assistance:

- 78 weeks of income maintenance payments, in addition to an initial 26 weeks of Unemployment Insurance (UI), if enrolled in training;
- all training expenses;
- a Health Coverage Tax Credit (HCTC), which provides a 65 percent advanceable, refundable tax credit to offset the cost of maintaining health insurance for up to two years;
- the Alternative Trade Adjustment Assistance (ATAA) program, commonly known as wage insurance, under which workers over 50 years old and earning less than \$50,000 a year may be eligible to receive half the difference between their old and new wages, subject to a cap of \$10,000, for up to two years;
- 90 percent of the costs associated with job search, up to a limit of \$1,250; and
- 90 percent of the costs associated with job relocation, up to a limit of \$1,500.

The TAA for Workers program has had a rocky history, including liberalization of eligibility criteria in 1974, cutbacks in assistance in 1981, and the establishment of a special program just for workers affected by trade with Canada and Mexico—i.e., the NAFTA-TAA for Workers program.³ In 2002 Congress enacted the most expansive set of reforms in the

2. Current law limits this eligibility to shift in production to countries with which the United States has a preferential trade agreement or from which there is a prospect of an increase in imports.

3. See Rosen (2006) for a more detailed discussion of the history of the TAA for Workers program.

TAA for Workers program since it was established. The reform, first introduced by Senators Max Baucus and Jeff Bingaman, included:

- The TAA for Workers program and the NAFTA-TAA for Workers program were merged. The eligibility criteria and the assistance package under both programs were harmonized and unified in one program.
- Eligibility criteria were expanded to include workers who lost their jobs from companies producing inputs for goods that face significant import competition, and workers who lost their jobs due to shifts in production to countries with which the United States has a preferential trade agreement or “where there has been or is likely to be an increase in imports...”⁴
- The HCTC was established.
- ATAA was established.
- The training appropriation cap was increased to \$220 million.
- Income support payments were extended by 26 weeks to enable workers to be enrolled in training and receive income maintenance for up to two years.
- Workers undertaking remedial education can postpone their entry into the TAA for Workers program for up to six months.
- The amounts provided for job search assistance and relocation assistance were increased to keep up with inflation.

Table 2 provides a comparison of program participation data before and after the 2002 reforms. The number of petitions filed does not seem to follow a pattern, despite a consistent increase in imports and outward investment over this period. On the other hand, the share of eligible workers participating in the program has significantly increased. This increase may be a “mixed blessing,” as it might reflect the increasing difficulties workers face in finding new jobs.

Trade Adjustment Assistance is a complement to trade policy, not a substitute for it.

ATAA and HCTC are two examples of how assistance under the TAA for Workers program has shifted from traditional income transfers to more targeted, cost-effective assistance. Despite the benefits associated with these new forms of assistance, however, enrollment in ATAA and the HCTC is disappointingly low. A 2006 US Government Accountability

4. Public Law 107-210, Section 113(a).

Table 2 Comparison of participation in TAA for Workers program before and after 2002 reforms, annual average, 1997 to 2005

| Grouping | 1997–2001 | 2003–05 |
|----------------------------------|-----------------|---------------------|
| Number of petitions filed | n.a. | 2,693 |
| Percent certified | 67 ^a | 64 |
| Take-up rate (percent) | 19 ^b | 43 |
| Workers receiving income support | 34,800 | 62,444 |
| Workers in training | 31,200 | 46,103 |
| Workers in ATAA | n.a. | 3,864 ^c |
| Workers receiving HCTC | n.a. | 22,000 ^c |

n.a. = not available
 ATAA = Alternative Trade Adjustment Assistance
 HCTC = Health Coverage Tax Credit

a. Figure is for 1994–98.
 b. Figure is for 1996–2000.
 c. Total is for 2003–06.

Source: US Department of Labor.

Office (GAO) study of five large plant closings found that less than half of those TAA-eligible workers who visited one-stop career centers were even informed of the HCTC. A little over half of eligible workers were aware of the ATAA program.

Wage Insurance (ATAA)

Many workers who lose their jobs due to import competition and shifts in production pay a heavy price in terms of short- and long-term earnings losses. According to work by Lori Kletzer based on the Dislocated Worker Survey of the Bureau of Labor Statistics, only two-thirds of dislocated workers from high import-competing industries find a new job within one to three years after layoff (Kletzer 2001). Of those workers reemployed, more than half experience no earnings loss or an improvement in earnings. Wage insurance is designed to assist the remaining 40 percent of dislocated workers (see table 3).

Wage insurance is not a substitute for the traditional UI program. The two programs serve two distinct populations: UI serves workers seeking employment, and wage insurance assists workers who have found new jobs.

Current labor-market conditions suggest that there is a high probability that workers will face the prospect of accepting a job that pays less than their previous job. Workers enrolled in ATAA unanimously report that financial pressures dictate that they return to work as soon as possible. ATAA helps cushion the potential losses workers face in taking a new job.

For example, the average weekly wage before layoff for workers displaced from high import-competing manufactur-

Table 3 Reemployment and earnings experience of dislocated workers

| Category | Manufacturing | Nonmanufacturing | High-import competing |
|--|---------------|------------------|-----------------------|
| Average prelayoff weekly wage (dollars) | 396.88 | 368.95 | 402.97 |
| Share reemployed (percent) | 65 | 69 | 64 |
| Average change in earnings (percent) | -12.1 | -4 | -1.3 |
| Share with no earnings loss (percent) | 35 | 41 | 36 |
| Share with >15 percent earnings loss (percent) | 35 | 29 | 35 |
| Share with >30 percent earnings loss (percent) | 25 | 21 | 25 |
| Share unemployed >26 weeks (percent) | 22 | 13 | 24 |

Sources: Author's calculations based on data for 1979 to 2001 from the Displaced Worker Survey, Bureau of Labor Statistics; Kletzer (2001).

ing industries was \$402.97 between 1979 and 2001. Workers who found new jobs faced, on average, a 13 percent loss in earnings. Under the current wage insurance program, these workers would be eligible to receive an additional \$5,532 for the first two years after reemployment, an 8 percent increase in their new wage.

Despite its benefits, wage insurance is not a perfect solution to addressing the costs associated with unemployment. The 26-week deadline for eligibility and the inability to enroll in training while receiving wage insurance are two examples of shortcomings in the current program. One option to address these problems would be to remove the 26-week requirement and allow workers to enroll in training while receiving wage insurance. A more ambitious proposal would be to enable workers, with the approval of their one-stop career counselor, to design a mix of income support, training, and wage insurance over a two-year period. The benefits of the program suggest that eligibility should also be expanded to those younger than 50 years old.

Health Coverage Tax Credit

The Henry J. Kaiser Family Foundation reports that the average cost of health insurance for a family of four in 2006 was \$11,500.⁵ This equals 85 percent of the average amount of annual income support provided under the TAA for Workers program. For many workers, maintaining health insurance can be one of the largest, if not the largest, expense during unemployment. As a result many workers forgo health insurance.

5. See the Henry J. Kaiser Family Foundation, *Employee Health Benefits: 2006 Annual Survey*, September 26, 2006.

Unemployed workers and their families comprise a large share of the uninsured.⁶

The HCTC provides workers a 65 percent advanceable, refundable tax credit to offset the cost of maintaining health insurance for up to two years. The Internal Revenue Service (IRS) reports that since 2003, approximately 22,000 workers have used the credit, or about 500 to 600 new enrollees per month.⁷ This constitutes only a small percentage of eligible workers. According to a study of workers from five plant closings, the GAO found that between 3 and 12 percent of eligible workers used the HCTC (GAO 2006). Between 39 and 60 percent of workers claimed they were not aware of the credit.

Wage insurance is not a substitute for the traditional UI program.

Of those workers who did not use the credit, the GAO found that between 50 to 82 percent of workers were covered by other health insurance—i.e., from a spouse. Forty-seven to 79 percent of respondents claimed that they could not afford to maintain their health insurance, despite the credit. Fifteen to 33 percent of workers found the credit too complicated.

In contrast to the Department of Labor (DOL), the IRS has implemented an outreach effort to inform each worker directly about the HCTC. Despite this effort, additional efforts appear necessary to ensure that all workers are aware of the

6. US Census Bureau (2007). More than one-quarter of those workers without health insurance, aged 18 to 64, were not working.

7. The number of people covered by the HCTC rises to 37,000 when family members of TAA-eligible workers are included.

credit. Congress should also consider raising the amount of the credit in order to make maintaining health insurance more affordable to unemployed workers and their families. Technical problems relating to waiting periods and health insurance options for workers not covered by their previous employer's health insurance need to also be addressed.

The Next Round of Reforms

For the most part, the 2002 reforms "fought the last battle" and did not fully address more recent economic developments, such as international outsourcing of services. In addition, several technical problems were discovered while implementing the 2002 reforms. Following are the major issues that still need to be addressed:⁸

Service Workers. The service sector is increasingly under pressure from outward shifts in investment and international outsourcing.⁹ Based on its current interpretation of the statute, DOL denies assistance to workers who lose their jobs from the service sector. DOL argues that workers in the service sector do not produce items that are "similar or like an imported *good* (emphasis added)." Although the law does not specifically restrict TAA eligibility to workers employed in manufacturing industries per se, over the years DOL's interpretation of the law has de facto resulted in such a restriction. A recent GAO study finds that denying assistance to service-sector workers currently accounts for almost half of petition denials.¹⁰

In response to several recent appeals brought before the Court of International Trade, DOL recently announced that that it would consider petitions on behalf of software workers.

The statute governing the TAA for Workers program needs to be updated to explicitly cover workers who lose their jobs from service industries. A simple change in legislative language alone will not be sufficient to achieve this goal, since data do not currently exist to measure the importation of services. The administration and Congress may need to consider alternative methodologies for determining trade impact in order to adequately cover workers who lose their jobs in service industries.

8. See Kletzer and Rosen (2005) for additional recommendations.

9. Alan Blinder (2006) recently estimated that as many as 42 million to 56 million jobs, or 30 to 40 percent of total US employment, could be under pressure from possible offshoring. This estimate includes 14 million manufacturing workers and 28 million to 42 million nonmanufacturing workers, primarily workers employed in the service sector.

10. GAO (2007a). Many more workers may be discouraged from submitting petitions.

Industry Certification. Petitions for TAA eligibility are currently filed according to firm-related layoffs, meaning that multiple petitions must be submitted by different groups of workers employed in the same firm as well as in the same industry. In an effort to streamline the petition process and remove arbitrary discrimination between workers from the same firm and industry, industrywide certification should be added to the existing firm-related layoff certification.

For example, if the apparel industry was found to experience a decline in employment related to an increase in imports or outward shift in investment, then any worker subsequently laid off from the industry over the next two years or so would be automatically eligible for TAA without needing to go through the bureaucratic petition process.

...denying assistance to service-sector workers currently accounts for almost half of petition denials.

In discussing this idea, Senator Baucus recently commented that all workers laid off from a specific industry should be covered by a single certification, the same way that all producers are covered by a single granting of import relief by the International Trade Commission.¹¹

Given data limitations concerning the service sector, industry certification would facilitate eligibility determinations for workers displaced from service industries.

Training Appropriations. Allocating training funds to states to meet the needs of workers has been a challenge to DOL under successive administrations. GAO recently reported that on average, states spent or obligated 62 percent of their training allocations in 2006, with a large range among the states (GAO 2007a). The GAO found that 13 states spent less than 1 percent of their training allocation while 9 states spent more than 95 percent of their training funds in 2006 (GAO 2007b).

Currently, DOL allocates 75 percent of TAA training funds according to a formula based on states' spending over the previous two and a half years. Thus states that experience large layoffs in a subsequent year may receive an inadequate amount of training funds to meet the needs of all TAA-eligible workers. Conversely, states that experience large layoffs in previous years may receive more training funds than needed in a subsequent year. GAO also reported that DOL allocates a significant amount of funds at the end of the fiscal year, making it difficult for states to utilize those funds. Since existing legislation does not address this issue, DOL has complete discretion

11. TAA Coalition meeting, April 13, 2007.

in setting the method by which training funds are allocated to the states.

The allocation of training funds desperately needs improvement. Currently, DOL makes two disbursements—one at the beginning and the other at the end of the year. One recommendation would be to increase the number of disbursements, spread out more evenly throughout the year, based on shorter look-back periods—i.e., six months.

Currently the law sets a global cap of \$220 million for training expenditures under the TAA for Workers program. The gap is not adjusted for inflation, changes in the economy, or major plant closings. At a minimum, the training cap needs to be raised on a regular basis. Ways to better link the training appropriation to the needs of TAA-eligible workers should also be explored.

Health Coverage Tax Credit (HCTC). GAO's survey of workers involved in five plant closings found that almost 70 percent of those workers without alternate health insurance reported that they could not afford to maintain their previous health insurance, despite the HCTC (GAO 2006). In a subsequent report, GAO estimated that even with the 65 percent tax credit, the cost of maintaining health insurance in four sample states was equal to approximately 25 percent of a worker's average monthly UI payment. Although the HCTC appears to have been an important addition to the package of assistance provided to workers, the amount of the credit needs to be increased in order to enable more workers to use it.

The training cap needs to be raised on a regular basis.

Currently, workers must receive income maintenance (or participate in ATAA), which means that they must be enrolled in training, in order to be eligible to receive the HCTC. This restriction severely limits the number of displaced workers who can receive the credit. GAO found that this requirement has forced workers to both enroll in training and receive income maintenance payments or to apply for a training waiver.¹² Some argue that requiring a worker to undertake training promotes "real adjustment," while others contend that it results in workers getting expensive assistance that they may not need or want. One proposal would be to provide the HCTC to all TAA-certified workers for up to two years or until the worker finds a new job, regardless of enrollment in training.

12. GAO (2006). Some states have issued training waivers in order for more workers to receive the HCTC.

Other technical issues concerning the HCTC, such as the waiting period before enrollment, require immediate attention.

Wage Insurance (ATAA). The current program is restricted to workers over the age of 50. Although there is some evidence that older workers may have a harder time finding a new job, ATAA can potentially benefit all workers. It is a cost-effective means of cushioning the costs associated with taking a new job. The age requirement for ATAA should be lowered or even eliminated in order to make more workers eligible.

Self-Employed. Under the current program, workers are discouraged from pursuing self-employment. One option would be to continue providing income support, training, and possibly wage insurance to workers starting their own businesses.

Outreach. GAO has consistently found that many workers are unaware of the assistance provided by the TAA for which they are eligible (GAO 2006). This lack of awareness may help explain why program take-up rates are so low. DOL's outreach efforts seem inadequate. More resources need to be devoted to informing workers about TAA and other forms of assistance for dislocated workers.

Data Reporting. DOL, under successive administrations, has made it extremely difficult to obtain TAA program data, thereby making it hard to evaluate how well the program is working and which aspects of the program need to be improved, eliminated, or expanded. Public access to TAA program data is therefore critical to monitoring and evaluating the program.¹³

The TAA for Workers program is currently financed through general revenues, without any dedicated revenue offset.¹⁴ In recent years the program's appropriation has not been a problem, primarily because the income maintenance portion is an entitlement and the training cap is set by law. On the other hand, total anticipated costs have been an issue when considering further program reforms and expansion. A dedicated funding stream might relieve some of these concerns, thereby enabling the program to reach its full potential.

One proposal to finance a further expansion of the program would be to dedicate some portion of customs duties, which are approximately \$20 billion to \$25 billion a year.¹⁵ Since funds

13. After years of complaints, DOL has recently begun making some data available on its website.

14. Section 245 of the Trade Act of 1974 called on the Department of the Treasury to establish a trust fund, financed by all customs duties, from which to finance TAA, but this trust fund has never been established.

15. Multilateral agreements are likely to reduce tariff rates over the coming

collected from customs duties are considered general revenue, diverting them to finance these proposals would contribute to the federal budget deficit. A more limited proposal would be to dedicate only the *increase* in customs duties over the next few years to offset the costs associated with expanding adjustment programs. This would also exacerbate the fiscal deficit and might not be sufficient to cover the total costs of the more ambitious proposals outlined above. Nonetheless, it might be a good way to jump-start the reform process.¹⁶

TAA FOR FIRMS

Congress established the TAA for Firms program in 1962 to help American firms respond to the pressures from increased import competition and *avoid* possible cutbacks and layoffs. Initially the program provided technical assistance, loans, and loan guarantees. Congress eliminated the loans and loan guarantees in 1986. Technical assistance is currently provided to firms by 11 Trade Adjustment Assistance Centers (TAAC) located around the country. Eligibility criteria mirror, although are not exactly the same as, those for the TAA for Workers program.

The TAA for Firms program has historically been quite small. Between 2001 and 2006, the program assisted approximately 150 firms a year covering some 16,000 workers. Average spending over the last nine years has been \$11 million per year.

A recent evaluation by the Urban Institute found that firms that participated in the TAA for Firms program had a higher survival rate (84 percent) than eligible firms that did not participate in the program (70 percent), five years after certification. According to Gary Kuhar, director of the Northwest Trade Adjustment Assistance Center (NWTAAAC), since 1984, there has been an 80 percent survival rate for firms assisted in his region. According to their internal cost-benefit analysis, this survival rate translates into a return of \$234 for every federal dollar managed by the NWTAAAC.

Congress should explore ways to expand the program, while ensuring its effectiveness. Existing eligibility criteria should be liberalized to meet current economic conditions. In addition, program funding and the capacity of the TAACs will need to be expanded if TAA eligibility criteria were expanded to include the service sector. Congress might also explore ways to integrate the TAA for Workers and TAA for Firms programs by automatically making all workers employed by firms partici-

years. On the other hand, increases in imports could increase the amount of tariff revenues collected.

16. It should be noted that there is long-standing opposition among economists to dedicated funding schemes.

pating in the TAA for Firms program eligible for the TAA for Workers program, and vice versa.

TAA FOR FARMERS AND FISHERMEN

Congress established the TAA for Farmers and Fishermen program as part of the 2002 reforms, based on legislation introduced by Senators Kent Conrad and Charles Grassley in the 106th Congress. Farmers and fishermen whose crops face a precipitous drop in their international price can receive minimal cash payments if they participate in technical assistance programs. Financial assistance is currently calculated as half of the difference between the most recent year's crop price and 80 percent of that price over the previous five years, subject to a limit of \$10,000 per year.

Between 2004 and 2006 nine crops were eligible for assistance: avocados, catfish, Concord grapes, fresh potatoes, lychees, olives, salmon, shrimp, and wild blueberries. The program's experience over this period suggests that cash payments have been very small, making the program somewhat unattractive to farmers and fishermen. On the other hand, there is evidence that the technical assistance provided has been useful in helping farmers and fishermen diversify their crops and/or improve the yield and sales of their existing crops. Enrollment in technical assistance seminars has been encouraging, although it is too early to measure their effectiveness.

Despite public support for assistance and increased worker training, expanding labor-market adjustment programs remains a low priority in the United States.

An evaluation by the Western Center for Risk Management Education found that 40 percent of participants undertook changes to adjust to import competition as a result of the program.

The program is handicapped by two related problems. First, eligibility criteria are too restrictive, thereby denying assistance to farmers and fishermen in need of assistance. Second, due to the formula used, the amount of income assistance provided is very small, thereby making the program, and any subsequent adjustment to import competition, financially unattractive.

Annual spending on the TAA for Farmers and Fishermen program has been uneven, averaging \$10 million annually over the last five years. Spending reached a peak of \$21.3 million in

FY2005, before falling to \$4.7 million in FY2006 and less than \$1 million in FY2007.¹⁷

The European Union devotes 10 percent of the amount it spends on the Common Agricultural Policy (CAP) to positive adjustment in farming and fishing.¹⁸ FY2006 spending on the TAA for Farmers and Fishermen program was less than one-tenth of 1 percent of total US farm income support.¹⁹ Expanding the TAA for Farmers and Fishermen program, in a responsible and effective way, could contribute to reducing farm income support, which places pressure on the federal budget and continues to stand in the way of multilateral trade negotiations.

TAA FOR COMMUNITIES

The impact of globalization on the US economy is not limited to workers, firms, farmers, and fishermen. Broader communities in which these groups are located also experience the consequences of massive layoffs and earnings losses. Workers who lose their jobs cannot afford to purchase nonessential goods or eat in restaurants, thereby causing the effects of a plant closing to ripple across a community. Plant closings also erode a community's tax base, making it more difficult for the community to provide important services and attract new investment.

In addressing any job loss, the primary objective should be to get people back to work, as soon as possible, with the least amount of financial loss. The TAA for Workers program only takes a small step toward helping workers meet that objective. The 2002 reforms began to transform the TAA for Workers program from one focusing almost exclusively on income support and training to one that aims toward reemployment. The most important ingredient of any reemployment program is the availability of jobs, preferably high-paying jobs.

Several members of Congress have recently called for a TAA for Communities program.²⁰ This proposal is based in part on a growing awareness that the effectiveness of any training program is limited by the availability of jobs that utilize the skills acquired in that training. Under these circumstances, job creation requires shifting the composition of existing investment and attracting new investment.

The Economic Adjustment program at the Department of Defense (DOD) has been successful in helping communities in the aftermath of a military base closing. Under the program,

DOD provides intensive technical assistance and funds to help communities to prepare and implement strategic plans for economic development.²¹

One proposal would be to temporarily assign a technical advisor to those trade-impacted communities willing to undertake certain activities. The advisor could help the community leaders design a strategic plan for economic development and apply for assistance under various existing public and private programs.

INTERNATIONAL COMPARISONS

As mentioned above, programs aimed at enhancing economic adjustment to the current realities associated with globalization should be part of any nation's competitiveness strategy.

Currently, other industrialized countries are devoting many more resources to labor-market adjustment programs than is the United States (see table 4). Relative to six other major industrialized countries, the United States spends the least on active labor-market adjustment programs, even after taking into account each country's unemployment rate. France and Germany each devote about five times more to their active labor-market programs than does the United States.

On the other hand, the Danish "Flexicurity" system, which is currently getting a lot of attention, is not a magic bullet. In addition to differences in hiring and firing policies, the Organization for Economic Cooperation and Development estimates that Denmark spends eight times more public funds, as a share of GDP, on labor-market programs than the United States.²² The Danes spend ten times more public funds, as a share of GDP, on training and five times more, as a share of GDP, on income support than the United States.

CONCLUSION

Public opinion surveys find that Americans are willing to support trade liberalization *if* the government assists those workers, firms, and communities adversely affected by trade and offshore outsourcing. Despite significant changes in the US economy over the last 45 years, including an increase in import penetration and a decline in manufacturing employment, efforts to assist workers adversely affected by increases in imports and shifts in production have remained modest at best. Efforts to reform and expand the program in 2002 were extremely useful in breathing new life into that commitment. But implementation of those reforms has been uneven at best.

17. Data are from the Foreign Agriculture Service, US Department of Agriculture.

18. Annual spending on the CAP is estimated to be \$45 billion.

19. Total US farm income support amounted to \$16 billion in FY2006.

20. Senator Bingaman first introduced this proposal in 2001.

21. See Rosen (2001) for a discussion of a limited experiment, borrowing from DOD's base closing program, which was tried in New Mexico in 1998.

22. Danish labor laws are more protective of workers than US labor laws.

Table 4 Spending on active labor-market adjustment programs

| Country | As a percent of GDP | Ratio of spending as a percent of GDP to the unemployment rate | As a percent of total spending on all labor-market programs |
|----------------|---------------------|--|---|
| France | 1.32 | 0.14 | 44.4 |
| Germany | 1.21 | 0.16 | 38.6 |
| Canada | 0.41 | 0.06 | 36.4 |
| United Kingdom | 0.37 | 0.07 | 40.0 |
| Korea | 0.31 | 0.08 | 66.9 |
| Japan | 0.28 | 0.06 | 34.2 |
| United States | 0.15 | 0.03 | 32.9 |

Source: Organization for Economic Cooperation and Development, *Employment Outlook 2003*, data for 2000–2001.

More effort must be undertaken to ensure that all workers, firms, farmers, and fishermen receive the assistance they need.

Several pieces of legislation have already been introduced, and several others are likely to be introduced, to continue the efforts begun in 2002 to reform and expand TAA. These proposals include extending eligibility criteria to cover workers who lose their jobs from service industries, establishing a process for certifying entire industries, increasing the budget cap on training expenditures, and expanding the HCTC and wage insurance programs. Congress should seriously consider enacting these proposals.

The increased importance of international trade to the US economy and the growing concern over economic dislocations would seem to make assistance to workers, firms, and communities facing these pressures a more pressing issue in 2006 than it was in 1962. Yet despite public support for this kind of assistance and rhetoric on the need to increase worker training, expanding labor-market adjustment programs remains a low priority in the United States. This needs to change if the United States wants to pursue a competitiveness strategy that increases productivity and raises living standards.

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