

WebMemo



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TAA Reform Is Not Enough

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The \$1 billion Trade Adjustment Assistance program (TAA) will expire at the end of September. The job training program was first adopted in 1962 to help Americans who were losing manufacturing jobs in an increasingly globalized economy. Despite its faulty design and poor track record, some Members of Congress want to expand the program to cover all sectors—even those that are creating millions of new jobs. Further complicating the debate is a proposal to renew the President's fast track trade promotion authority in TAA legislation.

Rather than making a bad policy worse, Congress should take this opportunity to eliminate the disincentives at the heart of all federal employment policies. Congress must reform and consolidate a host of schemes into one program that provides cost-effective, timely, and meaningful assistance to workers.

The TAA Program. TAA was originally an expansion of the Unemployment Insurance (UI) program, which began in 1935 as part of the New Deal. The total cost of UI ranges from \$20 to \$40 billion per year.

TAA is currently focused on providing reemployment assistance to manufacturing workers who have lost their jobs as a consequence of import competition or a shift in production to foreign sources. TAA provides up to 130 weeks of training and up to 104 weeks of income support—on top of the regular 26 weeks of UI benefits available to workers losing their jobs for less specific reasons.¹ Additionally, the program provides health insurance assistance and wage insurance for older workers. The pro-

grams are generally implemented at the state and local levels and are overseen by the U.S. Department of Labor.

To obtain TAA reemployment services and benefits, a group of workers must first file a petition with the U.S. Department of Labor requesting certification as workers adversely affected by foreign trade. If the worker group meets the necessary group eligibility criteria, a certification will be issued allowing each worker in the group to apply for individual services and benefits.

While the eligibility criteria are fairly defined, it can be a difficult and time-consuming process to determine whether a job loss is due to trade, new technology, recession, or poor business management. Additionally, the extent to which trade-affected workers actually use or need the wide array of TAA services is uncertain. According to the Government Accountability Office (GAO), laid-off workers can be lost during the certification process, as they look for new jobs rather than wait for uncertain government assistance.

At four of the five manufacturing sites examined by the GAO in a recent review of the TAA program, most laid-off workers had found a new job before

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the GAO study had even commenced.² Of those who were aware of TAA benefits, less than one-third opted to remain unemployed and receive training and long-term support. In general, many workers were unaware of health care and wage insurance benefits, and most simply wanted to find a new job as quickly as possible.

Even with its flaws, TAA remains focused on the one sector that is truly under duress: manufacturing. Roughly one in five manufacturing jobs has disappeared in recent years, affecting three million blue-collar industrial workers. However, not all of these jobs disappeared as a result of foreign competition, and the sector overall is producing more goods than ever. Technology and structural changes play the dominant roles in the changing composition of the American workforce.

Expanding TAA to cover the service sector would be nonsensical. The U.S. economy created a surplus of more than 10 million service jobs over the same time period, and more than 80 percent of Americans now work in the service sector.

Conclusion: Real Assistance for the Jobless. Reauthorizing and expanding TAA's mandate is no

long-term solution to helping distressed workers find new jobs. UI and TAA are founded on disincentives; by design, they pay people not to work. The way to fix the economic safety net is to update New Deal employment programs for the 21st century. A simplified, unified UI program would provide timely, cost-effective reemployment assistance to any worker who has been laid off for any reason.

The original, stated goals of federal unemployment policy were to: (1) provide income support; and (2) increase the job search opportunities of workers who had become unemployed through no fault of their own. After seven decades and billions of tax dollars spent, it is clear that job assistance programs have hindered, not helped, workers' search for new jobs. Congress must eliminate the disincentives at the heart of federal employment programs—and do so in a way that saves taxpayer dollars and provides real assistance to workers.

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1. U.S. Government Accountability Office, "Trade Adjustment Assistance: Most Workers in Five Layoffs Received Services, but Better Outreach Needed on New Benefits," GAO-06-43, January 2006.
2. *Ibid.*