

CRS Report for Congress

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Trade Adjustment Assistance for Workers: Legislation in the 107th Congress

Paul J. Graney
Analyst in Social Legislation
Domestic Social Policy Division

Summary

Trade Adjustment Assistance (TAA) for workers offers extended unemployment benefits and job training to workers left jobless when imported goods have contributed importantly to their job loss. A similar program was begun with the adoption of the North American Free Trade Agreement (NAFTA). This Transitional Adjustment Assistance Program (NAFTA-TAAP) not only aids trade-affected workers but also helps those who lose jobs because their firms have relocated production to Canada or Mexico. The authorizations for both programs expired on January 10, 2002, but the programs continue to operate normally with the \$416 million appropriated for FY2002. On August 6, 2002, President Bush signed the Trade Act of 2002 (H.R. 3009), a bill that includes the Trade Adjustment Assistance Reform Act of 2002 which will reauthorize and reform the program. The new program goes into effect for certifications made on or after November 4, 2002. The Administration's FY2003 budget request includes total funding of \$462 million for TAA and NAFTA-TAAP. This report will be updated as legislative action occurs.

Background

The TAA program was established by the Trade Expansion Act of 1962 (P.L. 87-794) to provide cash assistance to workers harmed directly by federal trade policies. Because of difficulties in proving that specific job dislocations were caused by trade initiatives, little use was made of the program until its overhaul by the Trade Act of 1974 (P.L. 93-618).

The 1974 Act required that workers show that import competition had "contributed importantly" to their job loss in order to receive weekly cash assistance, thereby easing the earlier eligibility rules. The program grew substantially following this legislation, with spending on TAA reaching \$1.6 billion in the program's peak year of FY1980.

Two acts during the 1980s served to reduce TAA's cost and focus more resources on job retraining. Under the Omnibus Budget Reconciliation Act (OBRA) of 1981 (P.L.

97-35), TAA benefit amounts were restricted to the level of unemployment compensation (UC) weekly benefits paid in each state, and training received greater emphasis. Weekly TAA benefits, termed “trade readjustment allowances” (TRAs), previously had supplemented UC up to 75% of a claimant’s former wage and replaced 65% of wages after UC ran out. The 1981 law set TRAs equal to the benefit amount the claimant had received from the state UC program and made them payable only after the regular UC benefit had terminated. The second of these acts, the Omnibus Trade and Competitiveness Act of 1988 (P.L. 100-418), made job training a specific requirement for program eligibility unless waived by the Secretary of Labor for one of several reasons set forth in regulations.

Congress acted in the Omnibus Budget Reconciliation Act (OBRA) of 1993 (P.L. 103-66) to extend TAA through September 30, 1998. The only substantive change in law was to lower the ceiling on annual appropriations for TAA training from \$80 million to \$70 million. A new TAA component was added that same year by the North American Free Trade Agreement (NAFTA) Implementation Act (P.L. 103-182) to assist workers dislocated by NAFTA. This new component is called the NAFTA transitional adjustment assistance program, or NAFTA-TAAP. The law entitles workers who lose their jobs because of NAFTA, including those whose employers shift production to Canada or Mexico, to the same income support as is available under the regular TAA program. Waivers of job training are not allowed under NAFTA-TAAP, but workers eligible for both TAA and NAFTA-TAAP can choose between them.

The TAA and NAFTA-TAAP programs establish individual entitlements to federal benefits. That is, they create a legal obligation on the part of the U.S. government to make funds available in the amounts necessary to pay cash benefits and purchase job training services for all individuals who meet the eligibility criteria established in law. Although considered to be entitlements, TAA and NAFTA-TAAP do not have dedicated tax revenue that can be held in reserve to fund them. As with many other entitlements, these programs obtain their funds through annual appropriations. While the law establishes annual ceilings on authorized appropriations for training, individuals may also be eligible for training under other programs such as the Workforce Investment Act of 1998 (WIA).

The most recent law (P.L. 106-113) reauthorizing the programs for more than a year extended the authorizations for TAA and NAFTA-TAAP through FY2001. Eight continuing resolutions kept the programs authorized through January 10, 2002. There is ample precedent for enactment of appropriations in the absence of a spending authorization, and the programs are currently operating normally with \$416 million appropriated for FY2002.

Current Proposals

During the 107th Congress, legislation has been passed to reform and reauthorize TAA through FY2007, eliminating the separate NAFTA-TAAP. On December 6, 2001, the House passed H.R. 3008, reauthorizing the programs through FY2003 with an added 26 weeks of benefits and a further 26 weeks for those in need of remedial education. The Senate included authorization of a reformed and consolidated TAA through FY2007 in its version of H.R. 3009 that passed on May 23, 2002. The House passed a rule (H.Res. 450) on June 26, 2002 that had the effect of amending the Senate amendment to H.R.

3009 and requesting a conference with the Senate on the bill. The resulting conference report was passed by the House on July 27 and by the Senate on August 1, 2002. President Bush signed the Trade Act of 2002 on August 6 making it P.L. 107-210. The new program goes into effect for petitions that are certified as eligible for benefits on or after November 4, 2002. Several other bills affecting TAA have also been introduced in the 107th Congress for the purpose of reforming and/or expanding the program.

Reform and Consolidation. Previous efforts to consolidate the job training programs sponsored by the federal government resulted in the passage of WIA. WIA did not make any changes to TAA or NAFTA-TAAP, but it does require coordination among the various federal job training programs. The most comprehensive reform proposal introduced in the 107th Congress was S. 1209, along with its companion bills (H.R. 3359 and H.R. 3670), which would have replaced TAA for workers and NAFTA-TAAP with a new Adjustment Assistance for Workers program. While retaining much of the structure of TAA and NAFTA-TAAP, the new Adjustment Assistance for Workers would expand on those programs in significant ways. S. 1209 was reported favorably with an amendment in the nature of a substitute on February 4, 2002. Most of the bill's language was included in S.Amdt. 3401 to the Andean Trade Preference Act (H.R. 3009) proposed by Senator Baucus and Senator Grassley on May 10 as a substitute amendment with some compromises discussed below. After some further modifications, the amendment and H.R. 3009 were passed by the Senate on May 23, 2002. The House-passed amendment to H.R. 3009 proposed less sweeping changes to the two current programs. The conference report and final law did result in the consolidation of the NAFTA-TAAP with the regular TAA program.

Eligibility Expansion. Several bills have been introduced in the 107th Congress that extend benefits under the adjustment assistance program to workers who are not currently eligible. Once again, S. 1209, H.R. 3359, H.R. 3670, and the Senate-passed version of H.R. 3009 included the most comprehensive of these proposals. They would extend eligibility by reason of production shifts to *any country* rather than just Canada or Mexico as under the present NAFTA-TAAP. Workers in secondary industries and certain groups that are generally ineligible now would have been included. The Senate-passed version of H.R. 3009 excluded truckers and some secondary workers that were included in the earlier bills as part of the compromise reached in offering S.Amdt. 3401. The House-passed amendment to H.R. 3009 included a more specific definition of suppliers whose workers would be eligible for assistance. The new law extends coverage to these groups: 1) secondary workers in firms that supply parts for articles that were the basis for a certification of eligibility at the primary company, 2) downstream workers who must also have their eligibility based on an increase in imports from, or a shift in production to, Canada or Mexico, 3) workers who have lost their jobs because of a production shift to certain additional countries, 4) farmers and ranchers,¹ but not fishermen or taconite workers. S. 1100 would also provide TAA for farmers. H.R. 457 would amend the Trade Act of 1974 to establish a transitional adjustment assistance program for workers adversely affected as a result of the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of the People's Republic of China. H.R. 837 and S. 422 would provide that, for purposes of making determinations for certain trade

¹ For a further discussion of the proposed program for farmers and ranchers, see CRS Report RS21182, *Trade Adjustment Assistance for Farmers*.

remedies and TAA benefits, imported semi-finished steel slabs and taconite pellets produced in the United States would be considered to be articles like or directly competitive with each other. S. 2088 would provide that any worker in an industry would be presumed eligible for TAA benefits for a 4-year period after the International Trade Commission determines that an article is being imported into the U.S. in such quantities as to harm the domestic industry producing a similar article. H.R. 4550 would clarify the eligibility for benefits of adversely affected workers who are engaged in self-employment assistance activities.

Benefit Expansion. In addition to the TRAs and training, TAA can also provide allowances of up to \$800 for job search assistance and/or relocation to a new job site. S. 1209, H.R. 3359, and H.R. 3670 proposed raising these allowance maximums to \$1,200 for job search assistance and \$1,500 for relocation, while the Senate-passed version and conference agreement set the maximum amount at \$1,250 each. These bills would have also made available another 26 weeks of cash benefits beyond the TRAs now available. During the debate on S.Amdt. 3401, the Senate passed an amendment adding 26 more weeks of benefits for those who need remedial education to match the provision already passed by the House. These additional weeks are included in the new authorization. H.R. 2613 also would have increased by 26 weeks the maximum number of weeks of benefits for workers in need of remedial education, and H.R. 2810 would provide this increase for all workers eligible for NAFTA-TAAP while doubling the annual amount authorized for training to \$60 million. H.R. 2810 would further provide an additional 78 weeks of benefits under NAFTA-TAAP for workers with limited English proficiency or otherwise in need of remedial education, and it would also remove the prohibition of waivers from training.

S. 1209, H.R. 3359, H.R. 3670, and the Senate-passed version of H.R. 3009 would have increased the present combined ceiling on annual training funds of \$110 million to \$300 million. The House amendment to H.R. 3009 would have increased the ceiling for TAA training to \$110 million while leaving the NAFTA-TAAP ceiling at \$30 million. P.L. 107-210 increases the training amount to \$220 million for the newly unified program. H.R. 3359 would have followed S. 1209 as originally introduced in providing a refundable credit against the individual income tax equal to 50% of the health insurance premiums that eligible unemployed workers must pay if they want their employer-sponsored health coverage continued during periods of unemployment. S. 1209 as reported and H.R. 3670 would have provided a new subsidy that would pay 75% of health insurance premiums for eligible workers, and states would then have the option to provide the unsubsidized portion under Medicaid and to provide temporary Medicaid coverage for certain uninsured individuals. S.Amdt. 3386 would have changed the 75% subsidy to a 73% refundable tax credit payable in advance and would also have made it available to retired steel workers. The Senate-passed version of H.R. 3009 lowered the tax credit to 70% and did not include this benefit for retired steel workers. The House-passed amendment to H.R. 3009 would have provided a means-tested 60% refundable tax credit and would extend this benefit to retired steel workers and other retirees over the age of 55 without other coverage such as Medicare who are receiving their retirement benefits from the Pension Benefit Guaranty Corporation (PBGC). The new law sets the refundable tax credit at 65% for eligible TAA recipients, alternative TAA recipients, and PBGC beneficiaries. The alternative TAA program grew out of the wage insurance provision in the Senate-passed version of H.R. 3009. It will be a demonstration project that would pay older workers 50% of the difference in wages between their former jobs

and lower paying new jobs up to \$10,000 over 2 years. The conference agreement requires firm eligibility in addition to individual eligibility. The health insurance and demonstration project for older workers will not be available immediately in November, but they will be implemented by August 2003.

S. 1209, H.R. 3670, and the Senate-passed H.R. 3009 also would have called upon the Small Business Administration to establish a displaced worker self-employment training pilot program. H.R. 3768 would give both employer and employee a credit for social security taxes paid for the first year of employment in a job the worker obtains after completing TAA training. H.R. 3982 would apply half of the tariffs imposed on imported steel products to help replace the health insurance lost by those who are eligible for TAA.

Funding. President Bush proposed in his FY2003 budget to extend the TAA and NAFTA-TAAP programs, and the budget request includes total funding of \$462 million for TAA and NAFTA-TAAP, which represents an increase of \$46 million over FY2002 funding levels of \$416 million. The breakdown would be \$297 million for TAA benefits and \$94.5 million for training with \$33 million and \$37 million for NAFTA-TAAP.

Summary of Changes to TAA for Workers As Contained in the Trade Act of 2002 (P.L. 107-210)

- ! Workers can become eligible either because imported goods contributed importantly to their unemployment or because of shifts in production to certain other countries outside the United States. Currently, a shift in production does not serve to qualify jobless workers under TAA; production shifts can qualify workers under NAFTA-TAAP, but only if the destination country is Canada or Mexico. The Senate had passed a broader provision, but the House had not addressed production shifts. TAA is consolidated into one program as the Senate proposed.
- ! Workers in secondary industries (those that supply industries directly affected by trade or plant relocation and downstream producers) will be covered. The more restrictive definitions of secondary workers in the House bill were not included in the conference report, but downstream producers are only covered with regard to the NAFTA countries. Currently, only directly affected industries are covered by TAA.
- ! A new TAA program for family farmers and ranchers is established in the new law, but benefits are not extended to independent fishermen or taconite workers. All of these groups were included in the Senate-passed bill, but none of them were included by the House.
- ! A petition for eligibility from a group of workers will be considered simultaneously by the Governor of the state and the U.S. Secretary of Labor. This approach should speed up the current process used by NAFTA-TAAP, in which the two officials consider petitions serially rather than simultaneously. The Secretary will have 40 days in which to act instead of the 60 days under the current TAA program.
- ! The new program will offer an additional 26 weeks of cash benefits beyond what is now available plus another 26 weeks for those who need remedial education. Thus, a maximum of 130 weeks of benefits will be

available (26 or more weeks from UC, the remainder from the TAA program).

- ! The Trade Act follows the Senate bill in raising to \$1,250 per claimant the allowance maximums for individuals who (a) must search for jobs outside their local area of residence, and/or (b) must relocate to begin new employment. The current maximum allowances are \$800 each.
- ! Factors that would permit the Secretary to waive otherwise required training are spelled out in the new law's language. The more general Senate provision giving the Secretary discretion to waive the requirement for "other" reasons was dropped by the conference.
- ! The ceiling on annual training funds will be raised to \$220 million. The House had proposed raising TAA training to \$110 million while leaving NAFTA-TAAP training at \$30 million. The Senate had proposed a total of \$300 million for training.
- ! A new demonstration project for alternative TAA for older workers, which will make up 50% of the wage difference (up to \$10,000) between the wage on a new job and the old one for up to 2 years, will be added. This is intended to facilitate speedier transitions into new occupations or industries without requiring older workers to participate in a lengthy training program. Eligibility will be limited to those over age 50 whose incomes are less than \$50,000 yearly, who work full time, and who find new jobs within 26 weeks after job separation. The conference agreement added a requirement for group eligibility that was not in the Senate bill, but it also extended the project for 5 years rather than the 2 years called for by the Senate.
- ! A new refundable and advanceable tax credit for 65% of health insurance premiums for eligible TAA recipients, alternative TAA recipients, and PBGC beneficiaries will be available for the purchase of insurance through COBRA continuation coverage, high-risk pools, state employee plans, or through other means. P.L. 107-210 will authorize grants to states for establishing and administering eligibility and enrollment assistance for tax credit eligibles and for the development of high risk pools. The House had proposed a 60% credit for TAA recipients and PBGC beneficiaries, while the Senate bill included a 70% credit only for TAA recipients.

The Department of Labor has a website with answers to frequently asked questions on the new TAA program at [http://www.doleta.gov/tradeact/2002act_faq.asp].