

Trade Adjustment Assistance in Arkansas

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The proliferation of free trade agreements and the growth of international trade between countries creates economic winners and losers. The winners benefit from cheaper prices for countless goods, cheaper labor costs as certain jobs are sent overseas, and new markets for selling goods. However, these benefits are counteracted by the loss of job due to increased foreign competition and shifts in production. Policymakers have created programs to help workers who have suffered job loss due to international trade. One such federal program is Trade Adjustment Assistance for Workers (TAA). TAA provides assistance to workers who lost their jobs due to increased foreign exports or their jobs being shifted to foreign countries. This report provides a short history of the program, an overview of the program's implementation in Arkansas, and positives and negatives associated with Trade Adjustment Assistance. It is hoped that this report will shed more light on Trade Adjustment Assistance itself, which has remained relatively understudied. As well as provide insights into the extent international trade has displaced Arkansas' workers.

Background of the Trade Adjustment Assistance Program for Workers

TAA was created in 1962 under the Trade Expansion Act.¹ This initial program was very limited in scope and in benefits provided. The Trade Act of 1974 enhanced TAA benefits and loosened eligibility criteria. This Act expanded the TAA program to assist workers who lost jobs or whose hours and wages were reduced due to either increased imports or production shifts to foreign nations.² By 1980, the program expanded to offer more cash benefits than

¹ Benjamin Collins, Trade Adjustment Assistance for Workers and the TAA Re-authorization Act of 2015, Congressional Research Service. 2014.

² "Trade Act Programs." United States Department of Labor. May 06, 2016. Accessed December 05, 2017. <https://www.dol.gov/general/topic/training/tradeact>.

unemployment insurance. The federal government assisted 532,000 workers by providing workers 70 percent of their previous wage levels at a cost of \$1.6 billion. . At that time, unemployment insurance only covered up to 65 percent of worker's previous wages. In 1981, amendments to the Trade Act of 1974 cut funding levels to \$103 million, and made TAA benefits accessible only after unemployment benefits ran out. Consequently, recipient levels dropped to 30,000.³

TAA benefits have continually changed throughout the 2000s. The Trade Act of 2002 was the second major update of the TAA program. The 2002 act included benefit provisions to non-primary workers whose jobs were affected by import competition or production shifts, the benefit eligibility period to 78 weeks, and amount of benefits available were increased as well. Another major addition was adding healthcare insurance coverage to program participants.⁴ In the 2002 Trade Act, training funds were capped at \$220 million. In 2009, the funding cap was increased to \$575 million, and then they were reduced to \$450 million during the last major update in 2015.⁵

TAA Eligibility, Benefits, and Services

The first step to receiving TAA benefits is for the company or workers themselves to file a petition with the Department of Labor. A petition can be filed by three or more workers in the same firm, by the workers' employer, a union official, or other duly authorized representative. In addition, American Job Center operators or partners such as state workforce agencies can also submit petitions.⁶ After submission, an investigation by the Department of Labor determines if applicants are eligible for TAA benefits and services. If eligible, workers are given access to a wide-range of training, employment assistance, and wage subsidy programs that are described below. Table 1 shows the TAA benefits breakdown for the entire nation during fiscal year 2016.

³ Baicker, Katherine, and M. Marit Rehavi. "Policy Watch: Trade Adjustment Assistance." *Journal of Economic Perspectives* 18, no. 2 (2004): 239-56.

⁴ "Trade Adjustment Assistance Reform Act of 2002: Summary." Trade Adjustment Assistance Reform Act of 2002: Summary, Employment & Training Administration (ETA) - U.S. Department of Labor. October 10, 2010. Accessed November 15, 2017. https://www.doleta.gov/tradeact/2002act_summary.cfm.

⁵ "Side-by-Side Comparison of TAA Program Benefits under the 2002 Program, 2009 Program, 2011 Program, and 2015 Program", Department of Labor. November 09, 2015.

⁶ New York Department of Labor, *Fact Sheet: Getting Back to Work After a Trade-Related Layoff Trade Adjustment Assistance, as expanded by the Trade Adjustment Assistance Reauthorization Act of 2015*, <<https://labor.ny.gov/formsdocs/factsheets/pdfs/p827.pdf>>

Table 1: FY 2016 Participants Receiving Each Type of TAA Benefit or Service		
Participant Benefit or Service	Number of Participants FY 2016	Percentage of Participants FY 2016
TAA (All)	45,814	
Employment and Case Management Services	41,084	89.7%
Previous Certification	2,198	4.8%
Training	24,433	53.3%
Occupational	21,072	46.0%
Remedial	4,088	8.9%
Prerequisite	480	1.0%
Customized	113	0.2%
On the Job	31	0.7%
Registered Apprenticeship	8	0.0%
Pre-Layoff Training	219	0.5%
Training Leading to an Associate's Degree	6,205	13.5%
Distance Learning	1,431	3.1%
Part Time Training	548	1.2%
TRA	24,742	54.0%
Basic	23,268	50.8%
Additional	14,100	30.8%
Remedial	541	1.2%
Completion	1,105	2.4%
Job Search Allowances	246	0.5%
Relocation Allowances	223	0.5%
ATAA/RTAA	5,648	12.3%
Source: Trade Adjustment Assistance Report For Workers Program: Fiscal Year 2016		

Employment and Case Management Services: These services help laid off workers prepare to undertake reemployment training programs. They also provide information that can help displaced workers find new careers. Specifically, these services offer comprehensive skill assessments, development of individual employment plans, information on training and counseling, interview training classes, career counseling, and information regarding unemployment services.⁷

Training: A primary benefit provided by TAA is funding for reemployment training and income support while the worker is being retrained.⁸ TAA training assistance includes classroom training, on-the-job training, customized training that meets the needs of a specific employer,

⁷ "Trade Readjustment Allowances." Arkansas Department of Workforce Services. Accessed November 16, 2017. <https://www.dws.arkansas.gov/dislocated-worker-task-force/trade-readjustment-allowances/>.

⁸ Collins. *Trade Adjustment Assistance for Workers and the TAA Re-authorization Act of 2015*.

apprenticeship programs, and educational programs. State level TAA funding pays for such training and educational programs. However, a worker must undertake full time training to receive Trade Allowance Benefits.⁹

Trade Readjustment Allowance (TRA): These benefits start after all other unemployment compensation is exhausted. The amount received equals the amount received under normal unemployment benefits. There are three types of TRA

- Basic TRA is paid for a total of 32 weeks as workers can receive a total of 52 weeks of assistance minus their maximum entitlement under regular unemployment insurance.
- Additional TRA provides an extension to payments as long as the worker is actively undertaking reemployment training. A worker can receive anywhere from 52 weeks to 78 weeks of additional benefits based upon their time of application.
- Completion TRA provides an additional 13 weeks of benefits for completion of additional unemployment training or degree programs.¹⁰

Reemployment Training Assistance (RTAA): These assistance programs provide benefit to workers who are 50 years old or older if the new position, gained after completion of re-training does not provide a salary greater than \$50,000 per year. RTAA also provides a wage supplement that pays up to 50% of the difference between the old and new wage, with a maximum payment of \$10,000 paid over a two-year period.¹¹

Job Search and Relocation Allowances: TAA also provides for job search and job relocation allowances. Job search allowances cover expenses incurred while seeking employment outside your city of residence; if there are no long-term positions within the area, 90% of travel and subsistence costs up to \$1,250 are covered. Relocation allowances help offset costs associated with worker's relocation costs of moving to new area. The relocation assistance amounts are the same as the job search allowance.

⁹ "TAA Program Benefits and Services under the 2015 Amendments." TAA Program Benefits and Services under the 2015 Amendments, Employment & Training Administration (ETA) - U.S. Department of Labor. June 28, 2016. Accessed November 16, 2017. https://www.doleta.gov/tradeact/2015_amend_benefits.cfm.

¹⁰ Ibid

¹¹ Ibid

TAA in Arkansas

Numerous workers and companies in Arkansas have petitioned to receive TAA benefits. Figure 1 shows the estimated number of Arkansas' workers who were covered by TAA petitions from 1994 to 2015 derived from estimates by the advocacy group Public Citizen.¹² This group maintains a trade adjustment assistance database that provides records and mapping of TAA certifications across the United States. One important side note, if a single worker is successfully covered by a TAA petition it does not mean that all like workers applied for TAA benefits.

From 1994 until 2015, approximately 55,871 Arkansans were eligible for TAA benefits. The trend line of eligible workers has remained flat with approximately 2,539 workers per year becoming qualified for TAA benefits. However, the actual number of those eligible varies considerably. In 1994, there were 1,120 workers included in TAA petitions, and 1,062 workers were eligible in 2015. The amount peaked in 2008, at 4,948 workers covered. Interestingly, by 2009 the number of workers who were included in TAA petitions dropped to 228 as the national economy recovered from the Great Recession.

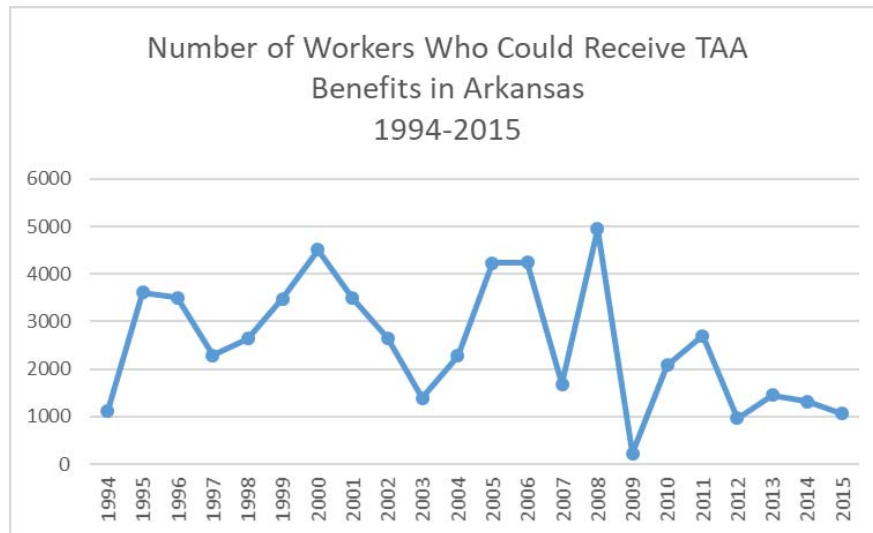
Since workers can only be considered for TAA benefits if their layoff is trade related, the amount of workers included in TAA petitions are a proxy for international trade related layoffs. Hence, in Arkansas, at least 55,871 workers have suffered layoffs due to either increased import competition or their jobs were shifted to other countries. However, since not all workers or firms affected by trade repercussions receive TAA benefits, either because they did not know of either the program or their petition was denied the amount of trade-related layoffs might be higher.

The map below shows the number of workers who received TAA certifications between 1994-2015 based on county of origin. At least 66 counties (88% of counties) have had workers who were included in TAA certifications. Sebastian County had the highest amount with a total of 5,820 workers. The high number of recipients is likely due to the county being a mature manufacturing hub. The vast majority of companies and employees who filed TAA petitions manufactured products like electrical wiring and refrigerator components. Pulaski County also has a high number of recipients with 5,317 workers under certification over the same period.

¹² Public Citizen. Department of Labor Trade Adjustment Assistance Consolidated Petitions Database. Washington, DC, <http://www.citizen.org/taadatabase>"

Johnson County and Calhoun County saw the lowest number of TAA benefit recipients. Johnson County had 17 and Calhoun County had 7 over the 21-year period

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Source: Public Citizen. Department of Labor Trade Adjustment Assistance Consolidated Petitions Database. Washington, DC, <http://www.citizen.org/taadatabase>"

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Figure 2 shows new and total TAA participants in Arkansas. From 2010 to 2016, a total of 5,934 Arkansans were added into in the TAA program. Overall, there were a total of 15,427 Arkansans WHO participated in the program over this time frame. By comparison in 2016, there were 549 Arkansans who entered the TAA program as opposed to 19,736 nationally, and a total 1,291 participating in Arkansas as compared to 45,814 nationally.

Workers Covered by TAA Petitions in Arkansas 1994-2015

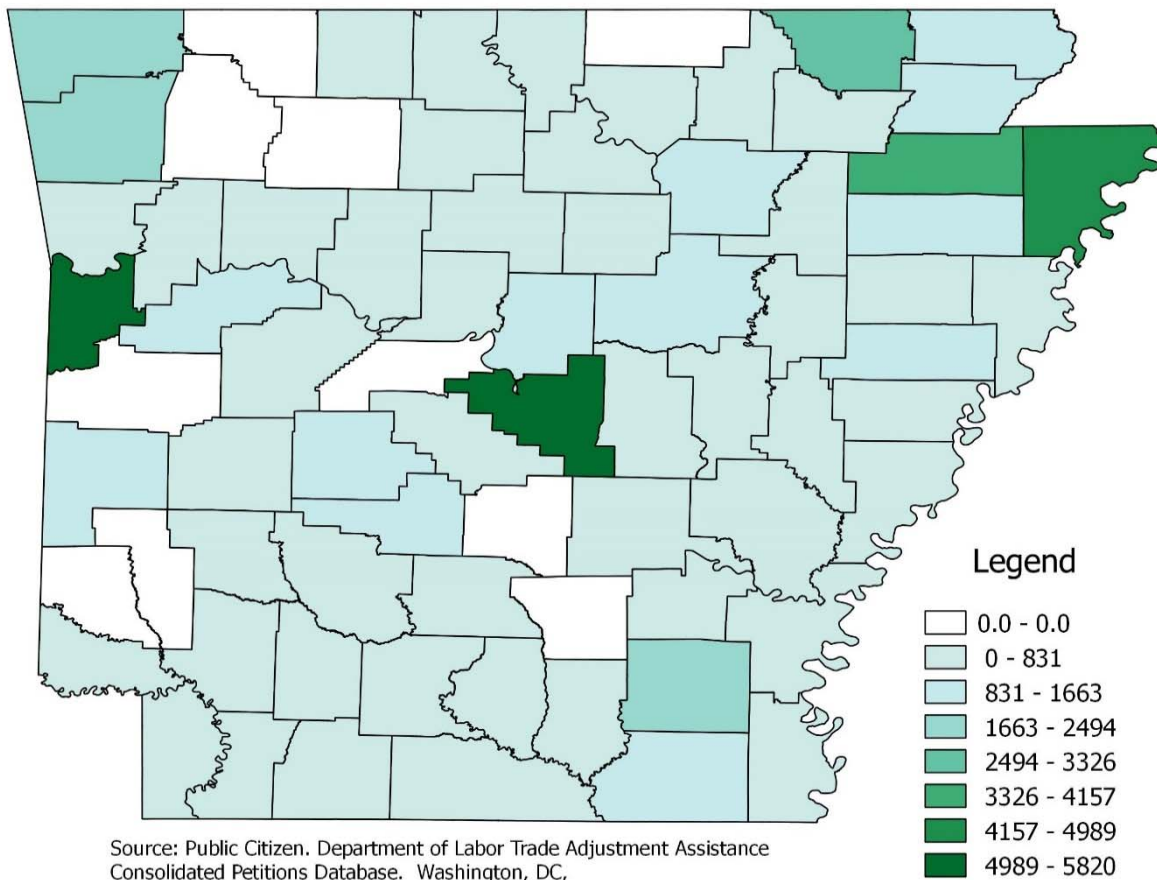
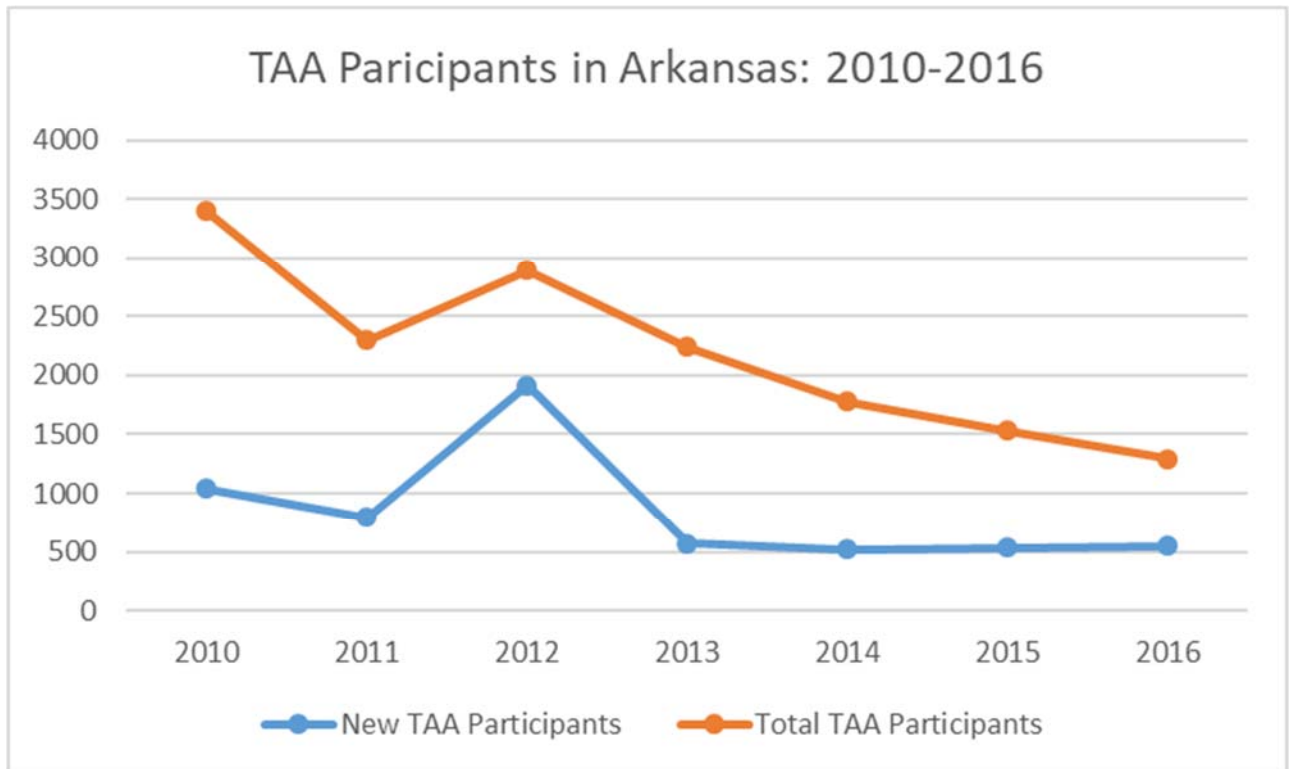


Figure 2:



Source: Department of Labor: Trade Adjustment Assistance Reports

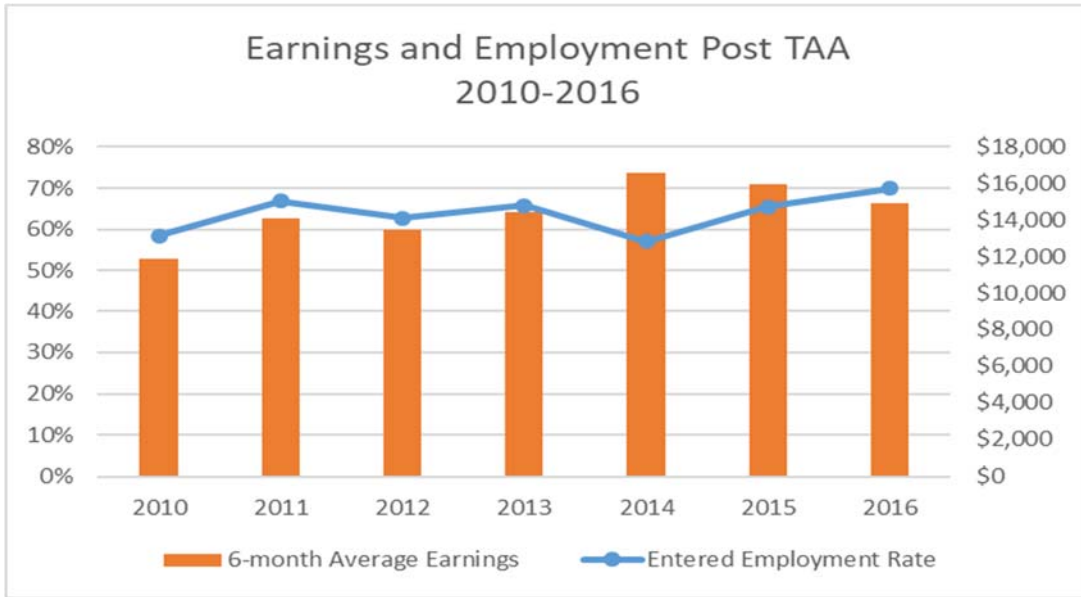
Effectiveness of the TAA Programs

Since TAA purpose is to help laid-off workers gain new skills to help them find new and better jobs, it is important to determine whether these workers get reemployment and at what new wage rates. On average from 2010 to 2016, Arkansan workers who participated in TAA programs had a 63% reemployment rate, and once reemployed program participants held a 91% employment retention rate.

Another important measure of TAA effectiveness are worker's earnings after they leave TAA training programs. The Department of Labor tracks earnings 6-month after workers leave training programs. TAA program participants in Arkansas earned an average of \$15,484 in the 6 months after leaving TAA from 2010 to 2016. In 2014 workers received the highest wages at \$16,607 whereas in 2010 they received \$11,889 over the 6-month period. If the 6-month earnings hold steady for the rest of the year, it can be assumed that doubling the 6-month wage rate will equal a yearly income. Therefore, a TAA recipient may have earned an annual income of \$29,904 in 2016. For Arkansas in 2016, per capita personal income(PCPI) was \$39,722. TAA

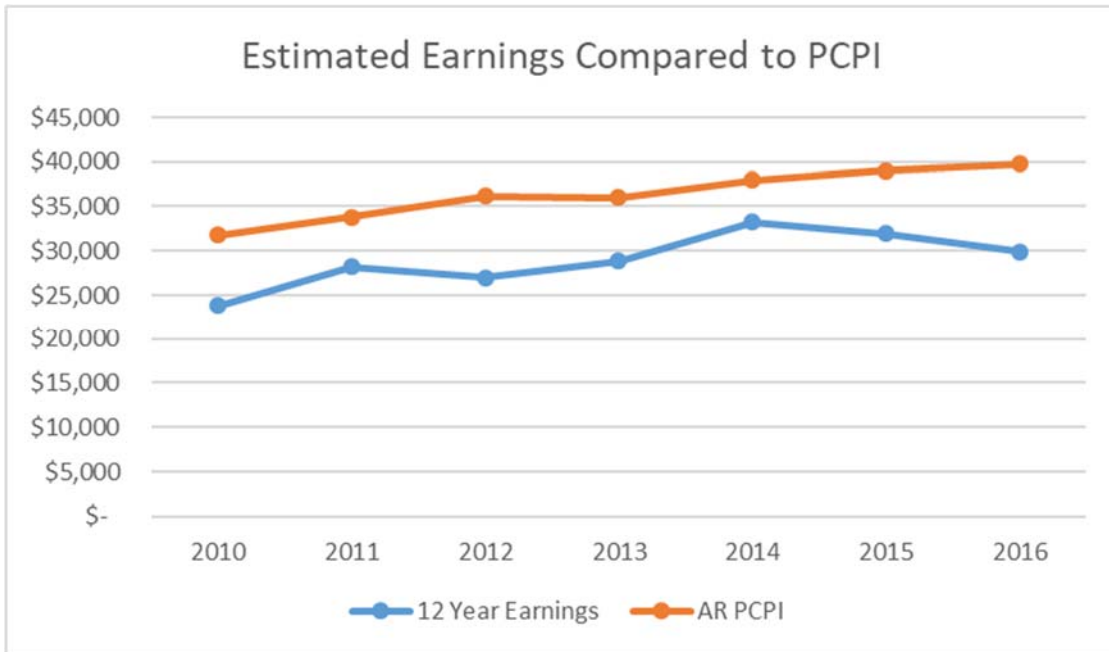
recipient's yearly earnings appear to be less than the state's PCPI level from 2010-2016 (See Figure 4).

Figure 3:



Source: Department of Labor: Trade Adjustment Assistance Reports

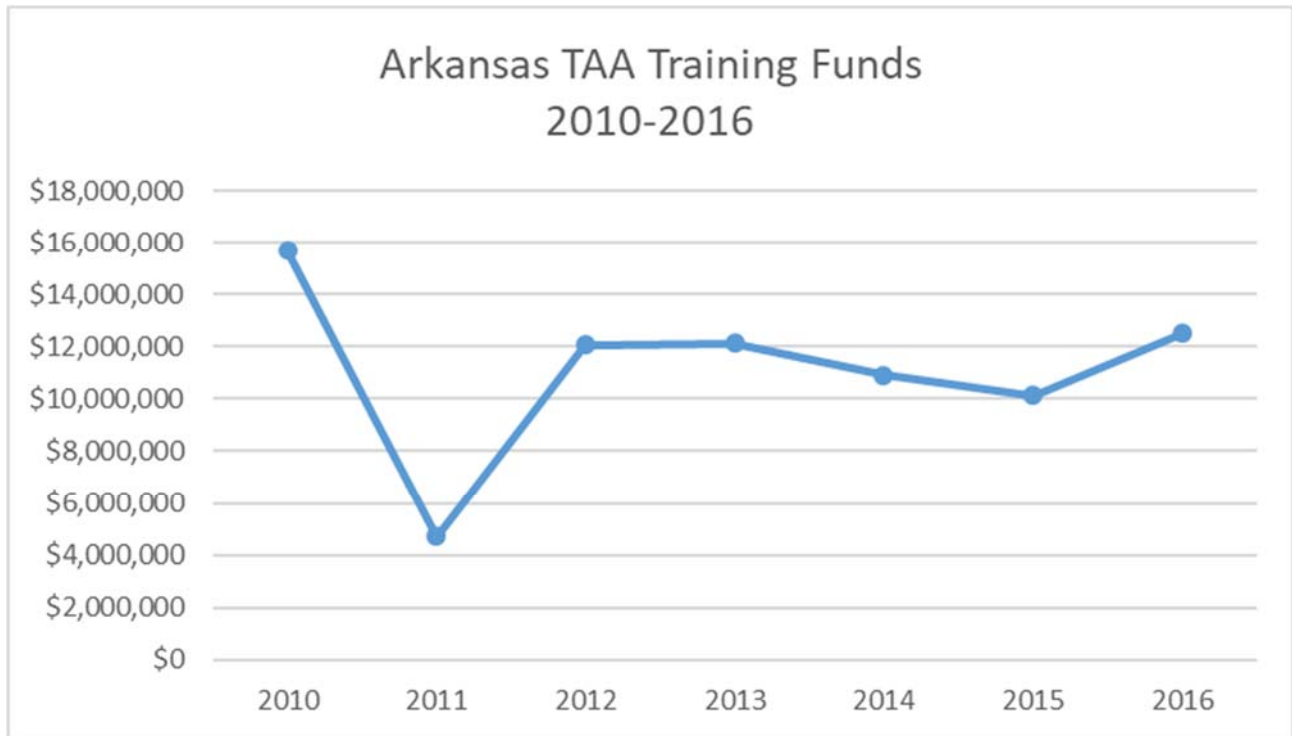
Figure 4:



Source: Department of Labor and Bureau of Economic Analysis

Figure 5 tracks training funds in Arkansas during the 2010-2016 period. Currently, legislation restricts the Department of Labor training budget for the entire nation to \$450 million. Between 2010 and 2016, an annual average of \$11,159,464 was spent on TAA training programs in Arkansas. In 2010, expenditures for TAA training in Arkansas topped over \$15 million. Afterwards funding dropped dramatically in 2011 to approximately \$4,702,101, but the stabilized to between in the \$10 to \$12 million dollars range in the latter years.

Figure 5:



Source: Department of Labor: Trade Adjustment Assistance Reports

Overall Evaluation of TAA

Trade Adjustment Assistance record is mixed. Academic, private, and government studies paint a mixed picture of the program’s effectiveness. One on hand, the program provides training programs that help laid off workers find new job opportunities. However, their new wages may be lower than their old wages.

A study undertaken by Mathematica Policy Research for the Department of Labor evaluated the effectiveness of the TAA program.¹³ Mathematica's research found that "TAA participants significantly increased the receipt of reemployment services and education and training services"¹⁴. TAA participants are more likely to receive career planning, job search assistance, and job training program which helps laid-off workers reenter the labor force. Mathematica's research shows that TAA participants were able to close employment and earnings gaps with those who had only relied on unemployment insurance.¹⁵ However, the programs ability to help workers find jobs does not indicate that the programs help them find jobs with higher wages or jobs that utilize the skills gained in retraining.

A study by California State University showed that TAA participants experienced greater wage losses on reemployment compared to those on unemployment insurance. According to the study "TAA trainees earned 12% less than UI exhaustees and 7% less than non-trainees in the program"¹⁶. Mathematica's policy report also provides evidence of this the wage issue. During initial reemployment periods, TAA participants earned lower wages, but this was expected because they were in re-training programs in the few years after job loss. By the end of the study's four-year observation period TAA beneficiaries had either matched the wages of the unemployment insurance counterparts or earned on average \$3,300 less.¹⁷ The mixed results of the program's ability to help workers increase their wages also carries over to its ability to help workers gain employable jobs skills through retraining.

According to Mathematica's study "among TAA participants who received occupation skills training, and were employed in the fourth year of follow-up, 37 percent were employed in the occupation for which they trained".¹⁸ The possibility of a worker being employed in his or her training field varied by the occupational focus of the training program. Those who had

¹³ Mathematica's analysis is based off of Trade Adjustment Assistance under the Trade Act of 2002. Research is lacking for how the programs effectiveness has changed due to trade act amendments.

¹⁴ D'Amico, Ronald, and Peter Schochet. *The Evaluation of the Trade Adjustment Assistance Program" A Synthesis of Major Findings*. Report. Mathematica Policy Research, Inc. 2012.

¹⁵ Ibid

¹⁶ Marcal, Le. "Does Trade Adjustment Assistance Help Trade-Displaced Workers?" *Contemporary Economic Policy* 19, no. 1 (2001): 59-72. doi:10.1111/j.1465-7287.2001.tb00050.x.

¹⁷ D'Amico and Schochet

¹⁸ Ibid

retrained to work in the healthcare, material production, or transportation fared better than other occupational training fields.

TAA training programs suffer from many of the same problems affecting other work re-training programs. It may help workers find new jobs but they may work in an occupation they did not receive training for, they may leave the related job within four years, they face lower initial wages, and they may not be able to find work where they are currently located. Amendments to TAA benefits try and adjust to these problems. However, the programs mixed results and problems arising around workers actually knowing that they can receive TAA benefits creates a situation that questions the effectiveness of the benefits provided.

TAA tries to provide a series of services beneficial to workers who have seen the negative consequences of increasing global trade. Arkansas has relied on the program to help many workers find new and hopefully better jobs as the state's manufacturing centers adjusted to foreign competition and lower wages overseas. However, the outcomes of Trade Adjustment Assistance seem to be mixed at best. The program does help workers find new jobs and keeps them employed. However, it does not help workers find jobs with high wages, and that is one of the program's goals.

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