



SEP 21 2001

MEMORANDUM FOR: JOHN J. GETEK
Assistant Inspector General
For Audit

FROM: EMILY STOVER DeROCCO
Assistant Secretary

A handwritten signature in black ink, appearing to read "David Stover for", written over the printed name of Emily Stover DeRocco.

SUBJECT: Agency Comments on OIG Draft Report - Improving
The Trade Act Programs

Thank you for the opportunity to comment on the OIG draft report - Improving the Trade Act Programs. The draft audit report presents the results of the OIG work done in 16 states. Since the last OIG report in 1993, the Employment and Training Administration (ETA) has taken numerous actions to improve the Trade Act programs. It has instituted program performance measures and goals and has developed and implemented a participant outcomes reporting system.

These actions will enable ETA to gauge better the performance of the program in the various states where workers have been affected by increased imports. These improvements, which were in their first year of operation at the time of the OIG review, will provide more timely information concerning program results to help us and the states better manage the program.

With the passage of the Workforce Investment Act in 1998, the Trade Act programs became a mandatory partner in the Nation's workforce development system. This partnership will enable more effective utilization of workforce resources and better coordination of assistance to eligible program participants. Finally, the improvements reported by the OIG since its last report on the program, we believe, are the result of close work with the states on their management of training waivers and added emphasis on the need for training to secure new employment.

We are very encouraged by some of the reported findings in the draft report. The draft report shows that participants in the program are getting jobs when they leave the program. The draft report notes that 72% of the program participants were reemployed at time of exit from the program. While there are obviously many factors that go into a participant's returning to employment, this is an encouraging sign that the program does have a positive effect for those workers who lose their jobs because of trade. Further, the draft report shows some positive



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employment impacts for those participants who enroll in and complete training compared to those who do not enroll in training. The report also shows that 77% of those workers who enrolled in and completed training had success finding a job where 54% of those who did not participate in training had success finding a job. In the latter category, the OIG draft report notes that many of the workers had very marketable skills obviating the need for training. Again, we believe that the 77% number is a positive sign that training provided through the Trade Act programs is having a positive effect, namely the reemployment of workers.

Other encouraging program results noted in the draft report include: 91% of the Trade program participants received some form of training which was a 40 percentage point increase over what the OIG found in its previous review of the programs in 1993; 97% of participants received adequate assessments of their training needs; training waivers were appropriately used and documented; and interprogram coordination was effective and most participants gave the program high marks.

Comments on specific OIG findings:

OIG finding - While most program participants found jobs, fewer obtained suitable employment.

The OIG draft report notes that 72% of program participants found jobs when they left the program while 34% of these jobs fell within the definition of suitable employment" OIG also states that "suitable employment" is the purpose of the program. The OIG uses the following definition for "suitable employment" *work of a substantially equal or higher skill level than the worker's past adversely affected employment, and wages for such work at not less than 80 percent of the worker's average weekly wage.* The OIG reports that while many program participants were finding employment at program termination, "the programs were less successful in helping participants regain earnings they had lost as a result of being laid off, as 34 percent of program participants were suitably employed." The OIG also adds that ETA established a wage replacement goal of 80% for participants exiting the program for FY 2000 and 82% for FY 2001.

ETA disagrees that achieving "suitable employment," using the definition embraced by the OIG, is the goal of the Trade Act programs for each participant in those programs. Neither the statute nor the regulations state such as a goal. The "suitable employment" standard used by the OIG is only one of the six criteria in Section 236 of the Act to determine if training should be approved. When added to the Act in 1981, it was Congress' intent to ensure that a worker would not be denied UI or Trade Act program benefits because he or she left work that was not suitable employment to enter training. Thus, this was not a required performance goal of the program but rather one of several decision criteria used to trigger training for an affected worker without a denial of income support benefits.

ETA's wage replacement goals of 80% for FY 2000 and 82% for FY 2001 are calculated based on an average of all reemployed program participants' wages nationwide. The goal is consistent with the goals used by the dislocated worker program operated under JTPA and now WIA. This goal allows for a distribution in wages recognizing the reality that some participants will have greater success than others in attaining wages early on in their new jobs, perhaps because of higher skill levels attained or because more and better job opportunities are available in a specific location where layoffs occurred. For the OIG's sample of participants, the average wage replacement rate was 73%.

OIG finding - One in four participants obtained program-assisted suitable employment.

The statute and the regulations require only that approvable training have "a reasonable expectation of employment" Moreover, both the statute and the regulations note that such a reasonable expectation does not require that employment opportunities be available, or offered immediately upon completion of training. Congress likely recognized that, for some trade impacted dislocated workers, achieving "suitable employment" by the above definition would not be possible even after workers received the training which they were qualified to undertake.

In examining the quality of the new jobs that Trade program participants obtain, it is important to acknowledge the difficulty in making the transition from one field of work to another. For those participants interviewed by OIG, 77% of them had a high school degree or less and the average age was 45 years old. In many cases, workers exiting from a Trade Act training program and entering a new job will do so at an entry level. In these situations, it is unreasonable to expect that every entry level job will be equal to or greater than 80% of the worker's prior wages, particularly if he or she had worked in the previous job for a number of years.

ETA's wage replacement goals for FY 2000 and FY 2001 are calculated based on an average of all reemployed program participants' wages nationwide. The goal is consistent with the goals used by the dislocated worker program operated under JTPA and now WIA. While this goal does allow for disparity in wages, it also recognizes the reality that some participants will have greater success than others in attaining wages early on in their new jobs perhaps because of higher skill levels attained or because more and better job opportunities are available in a specific location where layoffs occurred.

OIG finding - Program data were unreliable.

Regarding the OIG's findings that program data reported by states were unreliable, we concur. When the OIG began its review, ETA advised that the year selected for review was the first year of a new reporting system. This was the first year that states were required to report on Trade

participant outcomes in the 25 years of the program's existence. We recognized that with any new system there would be growing pains, and such was the case with the Trade Act Participant Report (TAPR) system. ETA spent considerable time working with states to assure compliance with quarterly reporting schedules. Also, ETA worked closely with the west coast contractor responsible for maintaining the agency's reporting system to try to gauge accuracy and reliability. We would like to note that in the OIG report of March 21, 2001, *GPR Performance Measures Audit of Dislocated Worker (DW), Trade Adjustment Assistance (TAA), and North American Free Trade Agreement - Transitional Adjustment Assistance (NAFTA-TAA) Programs*, the OIG sampled TAA and NAFTA-TAA participant case files at the various states in the review. The OIG concluded that the "dislocated worker participant files in each state and the comparison of file information with the information recorded in the state's MIS for that participant ... exactly matched the information produced by the state's MIS for those participants."

In FY 2001, a new TAPR system was developed and implemented which more closely ties to the WIA dislocated worker reporting system. This new system will be managed in-house by ETA rather than relying on an outside contractor. Also, a major evaluation effort is currently underway to develop necessary procedures to ensure data reliability for ETA reporting systems. The TAPR is part of this evaluation. We believe the aforementioned efforts will lead to substantial improvements in the reliability and accuracy of program and participant information reported by states via the TAPR.

Below are our specific comments on the OIG recommendations to the Assistant Secretary for ETA:

OIG recommendation: Ensure states have suitable employment goals translated down to the local level of program services so that suitable outcomes are understood and pursued for each participant at the levels where training and services are actually provided.

ETA supports the concept of performance-based management of the Trade Act programs as evidenced by its actions in establishing performance measures and goals pursuant to the Government Performance and Results Act. Communicating goals down to the local level is important. Many states operate the Trade Act programs from the state level. However, with the passage of the WIA, closer coordination between dislocated worker programs is mandated and the Trade Act programs are part of Memoranda of Understanding prepared for local One Stop Center operations in the states. We will continue to work closely with states to ensure local offices are better aware of Trade Act program expectations.

OIG recommendation: Ensure states have clear, uniform procedures for program termination with a uniform termination date which is linked to cessation of services or to known participant outcomes.

The revised TAPR outcomes data system implemented in FY 2001 employs the same definitions of "exiter" and "date of exit" as the outcomes data system for the dislocated worker program of WIA. Applying only one definition of exiter to all dislocated worker programs should lead to the states more accurate and consistent treatment of participants' exit dates.

OIG recommendation: Ensure states' trade adjustment activities are an integral part of their program evaluation and monitoring systems.

ETA has developed a new Trade Act program review guide which will be implemented in FY 2002. The guide has been designed for state and federal staff to conduct joint reviews, if desired, to assess the program. The guide contains several questions designed to enable reviewers to assess the degree to which Trade Act program activities are evaluated and monitored by the states as part of their regular evaluation and monitoring activities.

OIG recommendation: Ensure ETA and the states monitor participant data in the new TAA reporting system to ensure data are accurate and complete.

The TAPR is now operated by ETA in-house at the national office level. The data are stored in a database on ETA's local network. The Trade Act program office and the ETA Office of Technology and Information Services are working together to evaluate the state submissions of data and using an effective feedback mechanism to the states and ETA regional office to ensure that any errors in submissions are immediately identified and corrective action quickly taken. Also, the TAPR is part of an agency-wide effort to evaluate reporting systems where procedures will be developed to ensure data reliability.

Again, we appreciate the opportunity to comment on your draft report.