



Testimony before the Committee on Ways
and Means, House of Representatives

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**TRADE ADJUSTMENT
ASSISTANCE**

**Program Provides an Array
of Benefits and Services to
Trade-Affected Workers**

Statement for the Record by Sigurd R. Nilsen, Director
Education, Workforce, and Income Security Issues





Highlights of [GAO-07-994T](#), a testimony before the Committee on Ways and Means, House of Representatives

Why GAO Did This Study

Manufacturing workers face an uncertain future as manufacturing employment declines—more than 3 million manufacturing jobs have been lost in this country since 2000, many due to international trade. Furthermore, finding a new job may be harder for these workers because they tend to be older with have fewer transferable skills than other laid-off workers. The Trade Adjustment Assistance (TAA) program was established in 1962 to assist manufacturing workers who lose their jobs because of international trade. In 2002, the Congress made a number of key changes designed to expand benefits and decrease the time it takes to get workers into services. This testimony draws upon several GAO reports, including our most recently issued TAA report and our case study of five layoffs, and provides an overview of (1) how the TAA program operates, (2) recent trends in the Department of Labor's (Labor) certification of petitions, (3) the extent to which workers participate in training, (4) the extent to which workers take advantage of other TAA benefits, and (5) what is known about TAA program outcomes.

We are not making new recommendations at this time. Labor generally agreed with the findings and recommendations in our referenced reports.

www.gao.gov/cgi-bin/getrpt?GAO-07-994T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sigurd Nilsen at (202) 512-7215 or nilsens@gao.gov.

TRADE ADJUSTMENT ASSISTANCE

Program Provides an Array of Benefits and Services to Trade-Affected Workers

What GAO Found

The process for enrolling trade-affected workers in the TAA program begins when a petition for TAA assistance is filed with Labor on behalf of a group of workers. Labor has generally processed these petitions in a timely manner, taking on average 32 days during the past 3 fiscal years. Once enrolled, trade-affected workers can access a variety of TAA benefits and services, including income support, job training, and health coverage. Workers typically access these services through one-stop centers where they also receive case management services, such as counseling and vocational assessments.

During the past 3 fiscal years, the number of petitions certified and the number of petitions filed have declined. The proportion of petitions certified has remained relatively stable, as Labor certified about two-thirds of petitions investigated in each of these years. These petitions covered an estimated 400,000 workers. Petitions were most commonly denied because workers were not involved in the production of articles, a basic requirement of the TAA program.

Nationally, the decline in the number of workers entering training from fiscal years 2004 to 2006 parallels a decline in the estimated number of trade-affected workers. However, there are wide state-to-state variations in this trend. Sixteen states reported a decrease in training enrollment during the past 3 fiscal years, while 20 states reported an increase.

We also found that few TAA participants take advantage of the wage insurance and health coverage benefits. Although the number of new workers receiving the wage insurance benefit has increased from 1,400 in 2004, to about 3,200 in 2006, the number remains small—two-thirds of the states estimate that 5 percent or less of their TAA participants received wage insurance in fiscal year 2006. Participation in the health coverage benefit is also low. Approximately 6,900 workers enrolled for the first time in the advance health coverage benefit in fiscal year 2006.

Finally, we found that the nationwide TAA performance data that are currently available do not provide a complete and credible picture of the program's performance. However, at our five case study sites, we found that most of the workers who lost their jobs because of foreign trade had either found a job or retired at the time of our survey. The majority of reemployed workers earned less in their new jobs than they had previously earned, but generally replaced about 80 percent or more of their pre-layoff wages.

Mr. Chairman and Members of the Committee:

We are pleased to have the opportunity to discuss the assistance available through the Trade Adjustment Assistance (TAA) program to workers who are dislocated because of international trade. We have conducted a number of studies on the TAA program since the program was last reauthorized in 2002, and this testimony will focus primarily on the results of that work.¹

Manufacturing workers face an uncertain future as manufacturing employment declines—more than 3 million manufacturing jobs have been lost in this country since 2000, many due to international trade. Furthermore, finding a new job may be harder for these workers because they tend to be older, with fewer transferable skills than other laid-off workers. To assist these workers, the Congress established the TAA program in 1962 to provide income support, job training, and other benefits for manufacturing workers who lose their jobs as a result of international trade. TAA, administered by the Department of Labor (Labor), was funded at about \$900 million in fiscal year 2006, including \$220 million for training. In 2002, the Congress made a number of key changes designed to expand benefits and decrease the time it takes to get workers into services. Among the changes, the act

- extended training benefits up to 2½ years to allow for remedial training for those who need it;
- extended income support to match the allowable training period, including up to 2 years after workers exhaust their regular Unemployment Insurance (UI) benefits;
- doubled the amount of funds available for training to \$220 million per year;

¹ For further information on TAA, please see the following reports: GAO, *Trade Adjustment Assistance: Changes to Funding Allocation and Eligibility Requirements Could Enhance States' Ability to Provide Benefits and Services*. [GAO-07-701](#), GAO-07-702. (Washington, D.C.: May XX, 2007); *Trade Adjustment Assistance: Labor Should Take Action to Ensure Performance Data Are Complete, Accurate, and Accessible*. [GAO-06-496](#). (Washington, D.C.: Apr. 25, 2006); *Trade Adjustment Assistance: Most Workers in Five Layoffs Received Services, but Better Outreach Needed on New Benefits*. [GAO-06-43](#). (Washington, D.C.: Jan. 31, 2006); and *Trade Adjustment Assistance: Reforms Have Accelerated Training Enrollment, but Implementation Challenges Remain*. [GAO-04-1012](#). (Washington, D.C.: Sept. 22, 2004).

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- established a deadline for workers to enroll in training, after they have been laid off or their petition has been approved, in order to maintain eligibility for extended income support payments;
 - created a wage insurance benefit for workers age 50 and older, subsidizing the difference between the prior and new wages of some trade-affected workers who find reemployment quickly;
 - created a health coverage tax credit to help trade-affected workers pay for health insurance; and
 - shortened from 60 days to 40 days the time the Labor is given to process petitions filed on behalf of groups of workers to determine their potential eligibility for services.

You asked us to provide an overview of the TAA program as it currently operates. This testimony provides information on (1) how the program operates, (2) recent trends in Labor’s certification of petitions, (3) the extent to which workers’ participate in training, (4) the extent to which workers take advantage of other TAA benefits, and (5) what is known about TAA program outcomes. To address these issues, we drew upon our recently issued report prepared for you, as well as on our prior study of five trade-related layoffs and our review of TAA performance data. Our most recent study was based, in part, on a survey of the 46 states that received an initial allocation of TAA training funds in federal fiscal year 2006 (October 1, 2005, to September 30, 2006).² We received responses from all 46 states. In addition, we interviewed Labor officials and visited state and local officials in four states—California, Massachusetts, Michigan, and North Carolina. The case study review examined in detail five plant closures located in Massachusetts, Mississippi, Missouri, Pennsylvania, and Washington that were certified under TAA.³ We visited each layoff site and interviewed state and local officials, company and union officials, training providers, and affected workers. In addition, we conducted a telephone survey of all affected workers, including those who did not receive services. Survey response rates for each layoff ranged from 66 percent to 86 percent. In conducting the TAA performance data review, we conducted a survey of the 46 states that received an initial allocation of TAA training funds in federal fiscal year 2005, and obtained a 100 percent

² The four states that did not receive an initial allocation of TAA training funds in fiscal year 2006 were Delaware, Hawaii, North Dakota, and Wyoming.

³ The selected plant closures were: Massachusetts, Sanmina-SCI Corporation (printed circuit boards); Mississippi, the Toro Company (lawnmower and snow-thrower engines); Missouri, General Mills, Inc. (baked goods); Pennsylvania, Lear Corporation (automotive carpets); and Washington, Weyerhaeuser Company (fine paper and pulp).

response rate. In addition, we visited five states—California, Iowa, Ohio, Texas, and Virginia—and interviewed state and local officials. We performed our work in accordance with generally accepted government auditing standards.

In summary, TAA provides a variety of benefits and services to workers who lose their jobs because of international trade, including income support, job training, and health coverage. Workers typically access these services through one-stop centers where they also receive case management services, such as counseling and vocational assessments. Our work shows that during the past 3 fiscal years, there has been a decline in the number of petitions filed and certified. However, the proportion of petitions Labor has certified over the 3 years remained relatively stable at about two-thirds and covered an estimated 400,000 workers. Nationally, the decline in the number of workers entering training from fiscal years 2004 to 2006 parallels a decline in the estimated number of trade-affected workers—declining sharply between fiscal years 2004 to 2005 but leveling off in fiscal year 2006. However, trends in the number of workers entering training vary from state to state. Not all workers choose to enroll in training. In our study of five layoffs, no more than 40 percent of affected workers at any site enrolled in training, and at one site, only 9 percent enrolled. Occupational training remains the most popular type of training, currently constituting about three-quarters of all training enrollments. We also found that few TAA participants take advantage of the wage insurance and health coverage benefits. Although the number of new workers receiving the wage insurance benefit has increased from 1,400 in 2004 to about 3,200 in 2006, the number remains small—two-thirds of the states estimate that 5 percent or less of their TAA participants received wage insurance in fiscal year 2006. Participation in the health coverage benefit is also low. Approximately 6,900 workers enrolled for the first time in the advanced health coverage benefit in fiscal year 2006. Finally, we found that the nationwide TAA performance data that are currently available do not provide a complete and credible picture of the program's performance. However, at our five case study sites, we found that most of the workers who lost their jobs because of foreign trade had either found a job or retired at the time of our survey. The majority of reemployed workers earned less in their new jobs than they had previously earned, but according to our survey estimates generally replaced about 80 percent or more of their prelayoff wages.

An Overview of the TAA Process from Filing Petitions to Receiving Benefits

The process for enrolling trade-affected workers in the TAA program begins when a petition for TAA assistance is filed with Labor on behalf of a group of workers. Once certified, workers may receive a variety of benefits, including income support, job training, and health coverage. Workers typically access these services through the one-stop system—the consolidated service delivery system required under the Workforce Investment Act (WIA) to provide services for most federally funded employment and training programs. Case managers at the one-stop centers also provide vocational assessments and counseling to help workers enroll in the program and decide which services or benefits are most appropriate.

TAA Petition Process

Petitions may be filed by the employer experiencing the layoff, a group of at least three affected workers, a union, or the state or local workforce agency. Labor is required to either certify or deny the petition within 40 days after receiving it. Labor investigates whether a petition meets the requirements for TAA certification by taking steps such as contacting company officials, surveying a company's customers, and examining aggregate industry data. When Labor has certified a petition, it notifies the relevant state, which has responsibility for contacting the workers covered by the petition, informing them of the benefits available to them, and telling them when and where to apply for benefits. The TAA statute lays out certain basic requirements that all certified petitions must meet, including that a significant proportion of workers employed by a company be laid off or threatened with layoff and that affected workers must have been employed by a company that produces articles.⁴ In addition to meeting these basic requirements, a petition must demonstrate that the layoff is related to international trade in one of several ways, including the following:

- Increased imports—imports of articles that are similar to or directly compete with articles produced by the firm have increased, the sales or production of the firm has decreased, and the increase in imports has contributed importantly to the decline in sales or production and the layoff or threatened layoff of workers.

⁴ The statute provides that Labor determine that a significant number or portion of workers have become totally or partially separated, or are threatened to become totally or partially separated. 19 U.S.C. § 2272(a)(1).

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- Shift of production—the firm has shifted production of articles to another country and either
 - the country is party to a free trade agreement with the United States or
 - the country is a beneficiary under the Andean Trade Preference Act, the African Growth and Opportunity Act, or the Caribbean Basin Economic Recovery Act or
 - there has been or is likely to be an increase in imports of articles that are similar to or directly compete with articles produced by the firm.

 - Affected secondarily by trade—workers must meet one of two criteria:
 - Upstream secondary workers—affected firm produces and supplies component parts to another firm that has experienced TAA-certified layoffs, parts supplied to the certified firm constituted at least 20 percent of the affected firm’s production, or a loss of business with the certified firm contributed importantly to the layoffs at the affected firm.
 - Downstream secondary workers—affected firm performs final assembly or finishing work for another firm that has experienced TAA-certified layoffs as a result of an increase in imports from or a shift in production to Canada or Mexico, and a loss of business with the certified firm contributed importantly to the layoffs at the affected firm.

If Labor denies a petition for TAA assistance, the workers who would have been certified under the petition have two options for challenging this denial. They may request an administrative reconsideration of the decision by Labor. To take this step, workers must provide reasons why the denial is erroneous based on either a mistake or misinterpretation of the facts or the law itself, and must mail their request to Labor within 30 days of the announcement of the denial. Workers may also appeal to the United States Court of International Trade for judicial review of Labor’s denial within 60 days of either the initial denial or a denial following administrative reconsideration by Labor.

State and local workforce agencies also play key roles in the petition certification process and help workers take advantage of the services and benefits available in TAA. The agencies assist workers and employers in filing petitions and will also file petitions on behalf of workers. After a petition is certified, the agencies contact employers to obtain a list of workers affected by the layoff and send each worker a letter notifying him or her of potential eligibility. The agencies may also hold orientation sessions to provide workers with detailed information on the TAA

program and services and benefits that workers typically access through the one-stop system. Case managers at the one-stop centers provide vocational assessments and counseling to help workers enroll in the program and decide which services or benefits are most appropriate. Local case managers also refer workers to other programs, such as the Workforce Investment Act, for additional services.

TAA Benefits and Services

Under TAA, workers enrolled in the program have access to a variety of benefits and services including the following:

Training. Participants may receive up to 130 weeks of training, including 104 weeks of vocational training and 26 weeks of remedial training, such as English as a second language.

Extended income support. Participants may receive a total of 104 weeks of extended income support beyond the 26 weeks of unemployment insurance (UI) benefits available in most states. In fiscal year 2006, Congress appropriated about \$655 million for income support.

Job search and relocation benefits. Payments are available to help participants search for a job in a different geographical area and to relocate to a different area to take a job. Labor distributed a total of about \$288, 000 in fiscal year 2006 for these benefits.

Wage insurance benefit. The wage insurance benefit, known as the Alternative Trade Adjustment Assistance (ATAA) program, was created by the TAA Reform Act of 2002 as a demonstration project for workers age 50 years old or older and who find reemployment within 26 weeks of being laid off that pays less than \$50,000 and less than what they previously earned. Workers who meet these criteria are eligible to receive 50 percent of the difference between their new and old wages up to a maximum of \$10,000 over 2 years. For the fiscal year 2008 budget request, Labor estimated wage insurance benefits at \$23 million.

Health coverage benefit. The health coverage benefit, known as the Health Coverage Tax Credit (HCTC) and also created by the TAA Reform Act, helps workers pay for health care insurance through a

tax credit.⁵ Workers can choose to receive the benefit in one of two ways—as an advance option that covers 65 percent of their monthly premiums, allowing them to lower the amount they have to pay out of pocket for health coverage, or as an end-of-year tax credit that is claimed on their income taxes. To be eligible for the health coverage benefit, workers must either be (1) receiving extended income support payments, or eligible for extended income support but still receiving UI payments, or (2) receiving the wage insurance benefit. IRS administers the health coverage tax credit program. There are three health plan options that are automatically eligible:

- *COBRA continuation plans.* Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985, certain employers with 20 or more employees are required to make available 18 to 36 months of continued health care coverage for former employees and their dependents who lose health coverage due to certain circumstances, such as when a worker is laid off.
- *Spousal coverage.* Health care insurance obtained through the employer of a worker's spouse is also eligible, provided that the employer contributed less than 50 percent toward the cost of coverage.
- *Individual market plans.* Workers may use the health coverage benefit to cover a portion of the monthly cost of individually purchased health coverage if the worker purchased the coverage at least 30 days prior to being laid off.

In addition to the three options that are automatically qualified for the health coverage benefit, the TAA Reform Act allows states to designate other coverage alternatives—called state-qualified options. These state-qualified plans must, among other requirements, provide coverage for preexisting conditions. Currently, 43 have state-qualified plans.

⁵ The Trade Adjustment Assistance Reform Act of 2002 created a health coverage tax credit for certain workers who are eligible to receive income support benefits under the TAA program because their jobs were lost due to foreign competition and for certain retirees whose pensions from a former employer were terminated and are now paid by the Pension Benefit Guaranty Corporation (PBGC).

Certifications Have Declined over Past 3 Fiscal Years as Petition Filings Declined

During the past 3 fiscal years, the number of petitions certified and the number of petitions filed have declined. The proportion of petitions certified has remained relatively stable, as Labor certified about two-thirds of petitions investigated in each of these years. These petitions covered an estimated 400,000 workers. Petitions were most commonly denied because workers were not involved in the production of articles, a basic requirement of the TAA program.

Labor Certified Two-Thirds of Petitions Investigated, although the Number of Certifications Declined as Petitions Filed Declined

Over the past 3 fiscal years, the number of petitions certified has declined 17 percent, from nearly 1,700 in fiscal year 2004 to 1,400 in fiscal year 2006. Labor certified two-thirds of petitions that it investigated over the past 3 fiscal years, certifying nearly 4,700 petitions (see table 1).

Table 1: TAA Petition Filings and Investigation Decisions, Fiscal Years 2004 to 2006

Fiscal year	Number of petitions filed	Number investigated ^a	Number certified	Number denied	Percentage certified
2004	2,992	2,559	1,689	870	66
2005	2,638	2,358	1,589	769	67
2006	2,456	2,232	1,407	825	63
Total past 3 years	8,086	7,149	4,685 ^b	2,464 ^c	66

Source: GAO analysis of Department of Labor petitions data.

^aAbout 900 petitions were terminated prior to an investigation by the Department of Labor during fiscal years 2004 to 2006, accounting for 12 percent of petitions filed. Petitions may be terminated for several reasons, including that a petition was recently denied for the layoff or a company official was not available to provide necessary information.

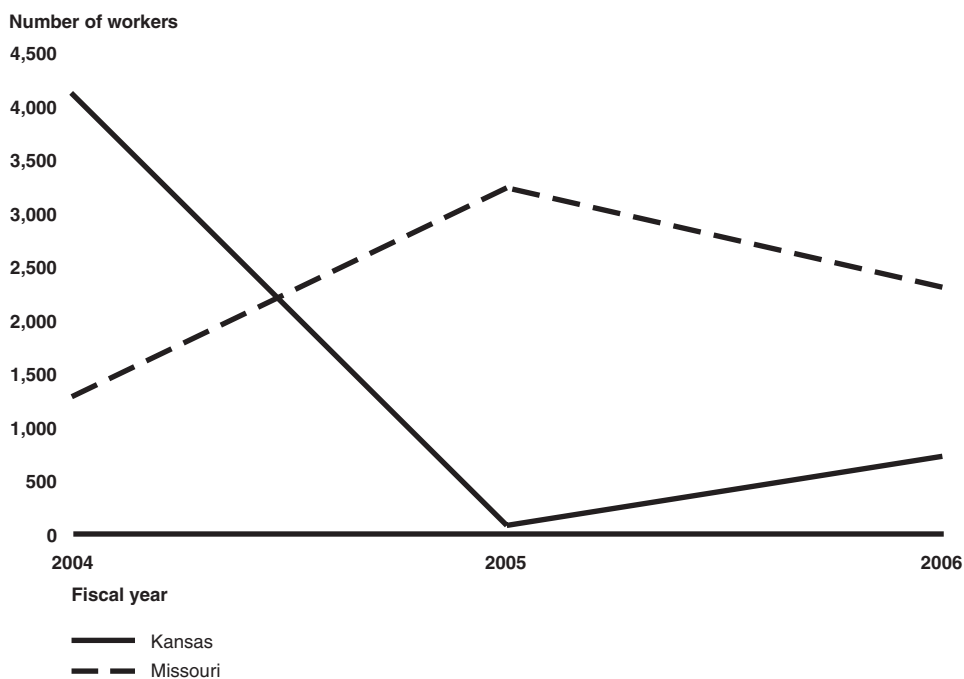
^bThe numbers on petitions certified include 12 petitions that were partially certified.

^cLabor initially denied 2,599 petitions, but 135 were reversed upon appeal.

An estimated 400,000 workers were covered by petitions between fiscal years 2004 and 2006. However, because layoffs tend to be episodic, the estimated number of trade-affected workers fluctuates dramatically from year to year and state to state. For example, the estimated number of trade-affected workers being laid off declined dramatically in Kansas from fiscal years 2004 to 2005—from 4,117 in 2004 to 75 workers in 2005—and increased somewhat in 2006 to 721. Overall the estimated number of trade-affected workers in Kansas laid off in fiscal year 2006 represented about an 80 percent decrease from the estimated number in 2004. On the other hand, Missouri experienced an 80 percent increase in the number of trade-

affected workers being laid off between fiscal years 2004 and 2006—from 1,275 to 2,301 (see fig. 1).

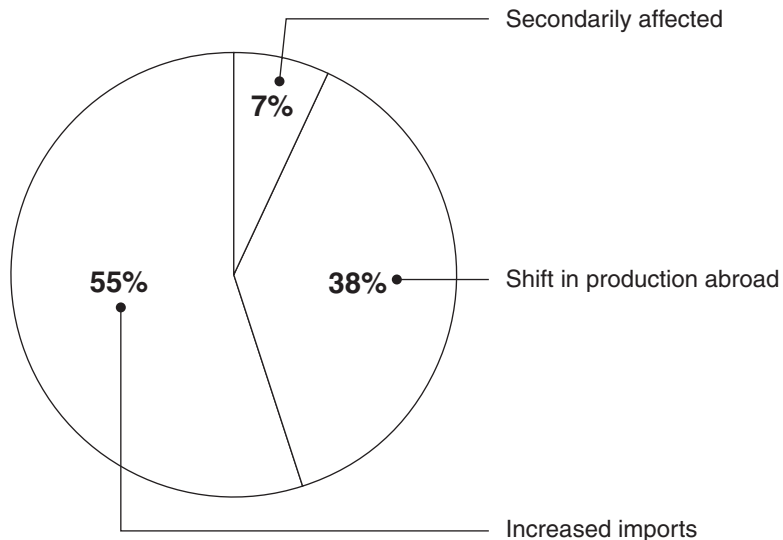
Figure 1: Fluctuation in Estimated Number of Trade-Affected Workers Laid Off from Fiscal Years 2004 to 2006 in Kansas and Missouri



Source: GAO analysis of Department of Labor petitions data.

Of the approximately 4,700 petitions certified over the past 3 fiscal years, most qualified for the TAA program because increased imports contributed to the layoff of workers. An additional 38 percent of certified petitions were because workers lost jobs due to a shift in production to another country (see fig. 2).

Figure 2: Categories under Which TAA Petitions Were Certified, Fiscal Years 2004-2006



Total certifications = 4,673

Source: GAO analysis of Department of Labor data on petitions filed during fiscal years 2004 to 2006.

Note: This figure does not include 12 petitions that were partially certified.

Although petitions for secondarily affected workers constitute only 7 percent of certified petitions, the number of workers covered under this eligibility requirement has increased somewhat, from about 7,900 workers in fiscal year 2004 to 8,800 workers in fiscal year 2006.⁶ Nearly all of the 328 petitions certified for secondarily affected workers during the past 3 fiscal years were for workers at firms that supplied component parts to another firm that experienced a TAA-certified layoff, or upstream firms.

Labor has generally processed petitions in a timely manner over the past 3 fiscal years. Labor's average processing time has remained relatively steady, taking on average 32 days to conduct an investigation and determine whether to certify or deny the petition. Labor met the requirement to process petitions within 40 days for 77 percent of petitions it investigated during fiscal years 2004 to 2006. Labor most often took only

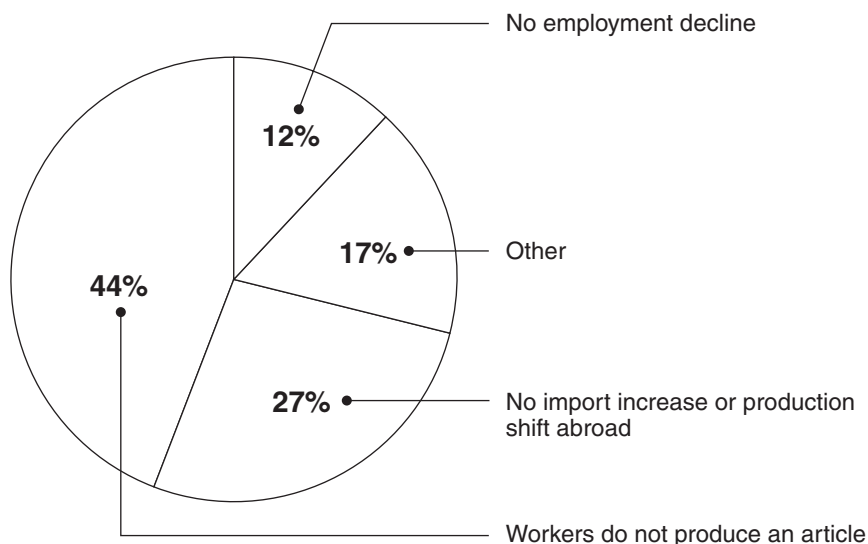
⁶ The data used to estimate the number of workers certified as eligible for TAA are based on estimates of the number of affected workers submitted by companies at the time TAA petitions are filed with the Department of Labor. At the time petitions are submitted, companies may not know exactly how many workers will be affected.

an extra day to process the remaining petitions. Labor officials said that the reason they are not always able to meet the 40-day time frame is because they sometimes do not receive necessary information in a timely manner from company officials.

Petitions Were Most Often Denied because Workers Were Not Involved in Producing an Article

During the past 3 fiscal years, about 2,500 petitions have been denied, and in fiscal year 2006, the most common reason for petitions being denied was because workers were not involved in producing an article, a basic requirement of the TAA program.⁷ Of the over 800 petitions filed in fiscal year 2006 that were denied, 359 (44 percent) were denied for this reason (see fig. 3).

Figure 3: Reasons Petitions Filed in Fiscal Year 2006 Were Denied



Total number of denials = 823

Source: GAO analysis of Department of Labor data on petitions filed during fiscal year 2006.

Note: Other reasons that petitions were denied were that the company did not experience a decline in sales or production, the predominant cause of the layoff was unrelated to imports or a shift in production abroad, or there was no secondary impact. This figure does not include two petitions that were missing information on reasons they were denied.

Of the 359 petitions denied because workers did not produce articles, about one-third were for business services, such as computer

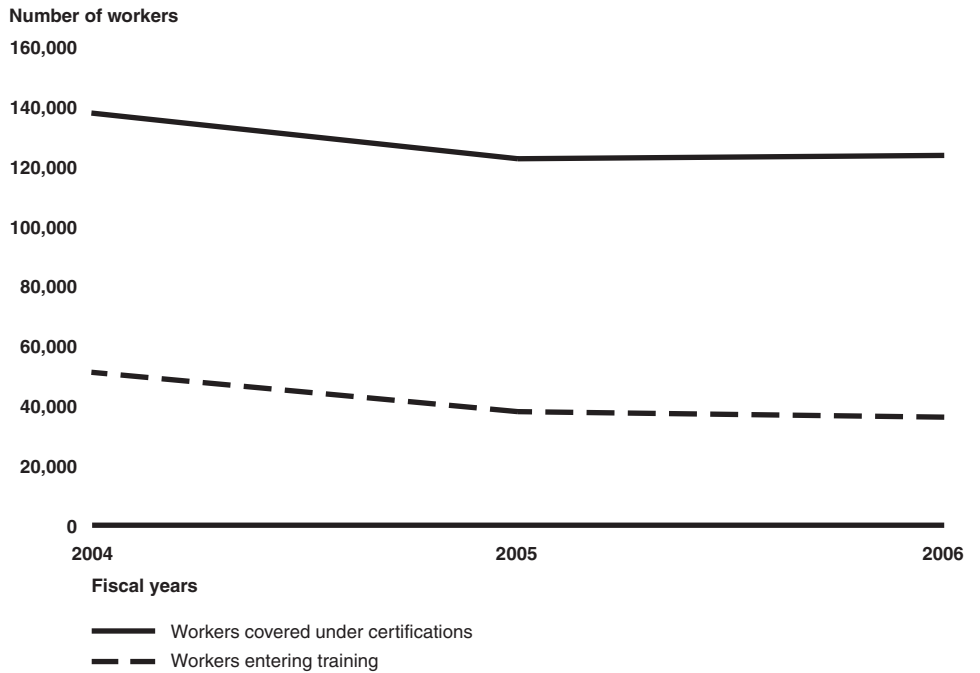
⁷ Fiscal year 2006 was the first year that complete data were available on the reasons petitions were denied.

programming, and about one-third were for airport-related services, such as aircraft maintenance. During the past 3 fiscal years, workers appealed decisions in 16 percent of the approximately 2,600 petitions that Labor initially denied. The vast majority were appealed directly to Labor. Labor's decisions were reversed in one-third of the appeals. Labor officials told us that appeals are often reversed because Labor receives new information, as part of the appeals process, that justifies certifying the petition. Although few denied petitions are appealed to the U.S. Court of International Trade (CIT), many of the recent appeals concern the issue of whether workers were involved in the production of articles.

Number of Workers Enrolling in Training Has Declined since 2003

Nationally, the decline in the number of workers entering training from 2004 to 2006 parallels the decline in the estimated number of workers covered under certifications during this period (see fig. 4). However, there are wide state-to-state variations in this trend. Sixteen states responding to our recent survey reported a decrease in training enrollment during the past 3 fiscal years, while 20 states reported an increase. States reporting a decline said that the state experienced fewer layoffs, had fewer eligible participants, and many workers needed to go back to work, rather than enter training. States reporting increases had experienced several large plant closures, had larger percentages of workers needing remedial training, and had more employers that required their workers to have higher skill levels.

Figure 4: Number of TAA Participants Covered under Certifications and Enrolled in Training by Fiscal Year



Source: GAO analysis of Department of Labor petitions data and quarterly activity reports.

While many affected workers may seek employment services at one-stop centers, relatively few enroll in training, according to the results of our study of five layoffs. Seventy-percent or more of the workers in our study visited a one-stop center, often receiving one-on-one assistance. In our most recent study, we found that, nationally, occupational training remains the largest training category for TAA participants, with about three-fourths of TAA training participants opting for occupational training. States ranked nursing—including registered nurses, licensed practical nurses, and certified vocational nurses—medical assisting, and truck driving as the occupations in which TAA participants were most frequently trained. Although occupational training remains the largest training category, its relative percentage has decreased, while the percentage of training enrollments for remedial education has increased (see table 2).⁸

⁸ The percentages are based on enrollments in each training category and not individuals. Some individuals could have enrolled in more than one activity.

Table 2: Training Enrollments by Type of Training by Fiscal Year

Type of Training	2004		2005		2006	
	Number	Percent	Number	Percent	Number	Percent
Occupational	42,793	84	29,909	79	27,101	75
Remedial	7,768	15	7,509	20	8,239	23
On-the-job	368	1	356	1	590	2
Total	50,929	100	37,774	100	35,930	100

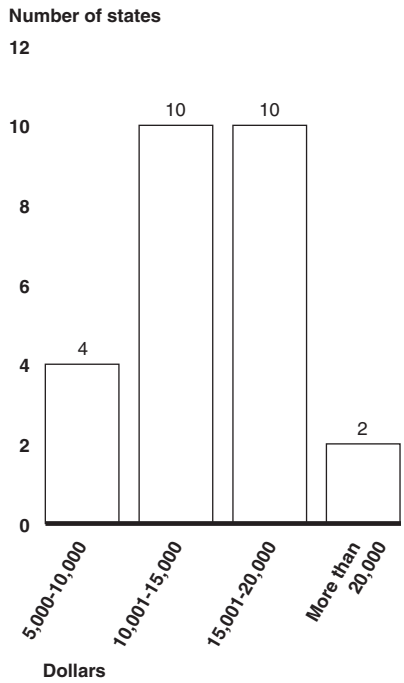
Source: Department of Labor data.

Note: On-the-job training (OJT) is training provided by an employer in the public or private sector to a TAA participant that has been hired by the employer. Under the OJT contract, the employer is reimbursed for no more than 50 percent of the participant's wage for a specified duration.

For our most recent study, some local officials told us that the need for remedial training had increased, in part because more non-English-speaking workers were being laid off. For example, officials from local areas in two states we visited said that most workers who opted for training enrolled in English as a second language (ESL) courses. In response to this need, training providers in one of the local areas designed a specific training program for dislocated garment workers that enabled workers to take both ESL and occupational skills training simultaneously.

Twenty six of the 46 states we surveyed reported having a maximum amount they will pay for a worker to attend training, typically from \$10,000 to \$20,000 (see fig. 5). Many of these states did, however, note that their training maximums were flexible and could be waived if justified. In addition, 13 states in our survey reported that their training cost limits had increased during the past 3 years, mainly due to rises in tuition and related expenses, as well as requests for more expensive training.

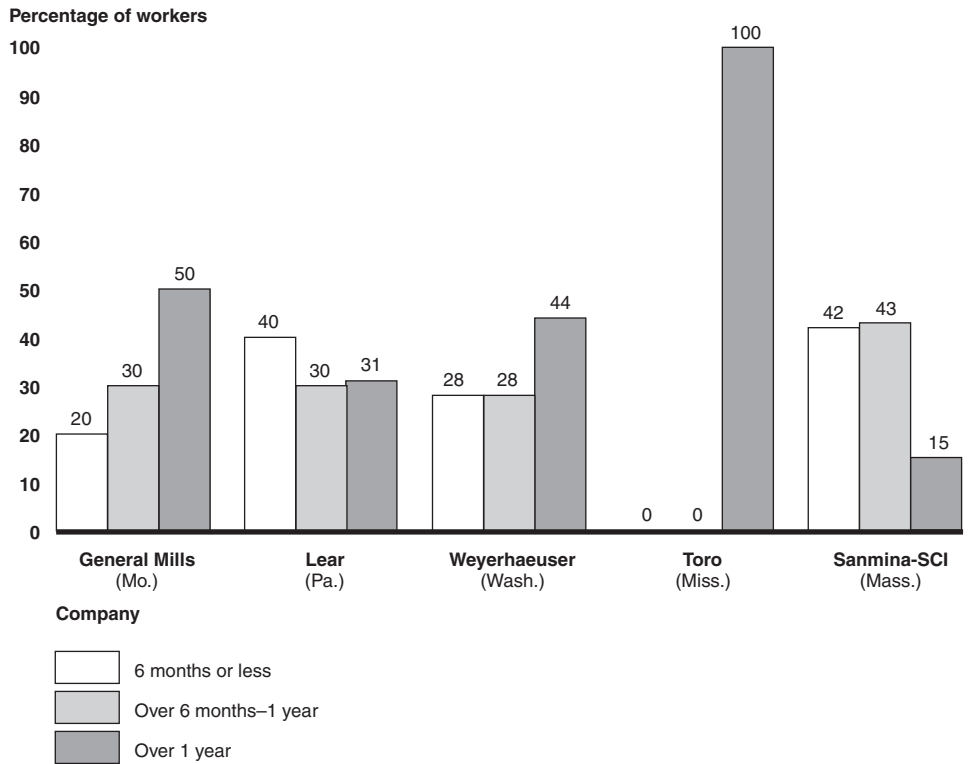
Figure 5: States' Training Cost Limits



Source: GAO analysis of survey responses.

Most workers who entered training at the five case study sites enrolled in programs that were relatively short-term and that cost less than \$10,000. At four sites, half or more of the workers who enrolled in training were enrolled in programs expected to last 1 year or less, and at three of these sites, about 30 percent or more of the workers in training entered programs expected to last 6 months or less(see fig. 6).

Figure 6: Workers in TAA- or WIA-Funded Training, by Expected Length of Training Program

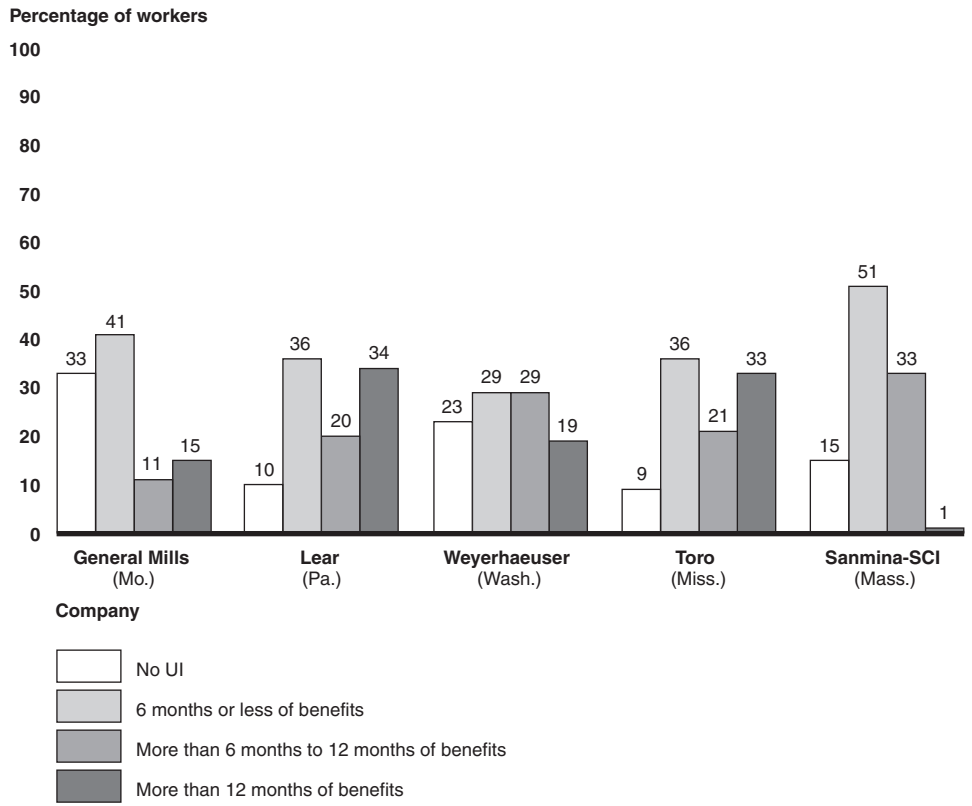


Source: State administrative records.

Notes: Data on training duration were available for 105 General Mills workers, 91 Lear workers, 25 Weyerhaeuser workers, 7 Toro workers, and 139 Sanmina-SCI workers. Because of rounding, totals do not always equal 100 percent.

At our five case study sites we found that while most workers at each site had received income support benefits, up to one-third received no income support at all. Only about a third or less of the workers at each site had received the benefits for over 1 year, and no more than 8 percent for longer than 18 months. Because most workers in the sites we studied did not enroll in training, and those who did most commonly entered programs lasting 1 year or less, the vast majority of the workers in these sites did not utilize the full 2 years of extended income support benefits available to them (see fig. 7).

Figure 7: Number of Months Workers Received Income Support Benefits (UI and in Some Cases Extended Income Support)



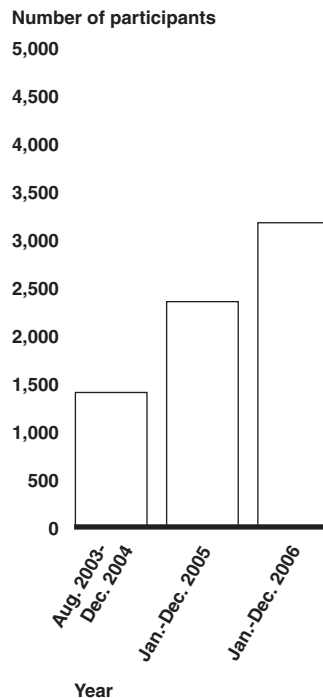
Source: GAO survey of dislocated workers.

Notes: Data include workers still receiving UI or extended income support benefits at the time of our survey. For example, the Sanmina-SCI plant closure occurred about 8 months before our survey, and 49 percent of Sanmina-SCI workers were still receiving income support benefits at the time of our survey. Because of rounding, totals do not always equal 100 percent.

Few TAA Participants Take Advantage of Wage Insurance and Health Coverage Benefits

While participation remains low, the number of workers entering the wage insurance program has increased from 2004 to 2006—from about 1,400 in 2004 to about 3,200 in 2006 (see fig. 8).

Figure 8: Wage Insurance Enrollments, Calendar Years 2004 to 2006



Source: Department of Labor data.

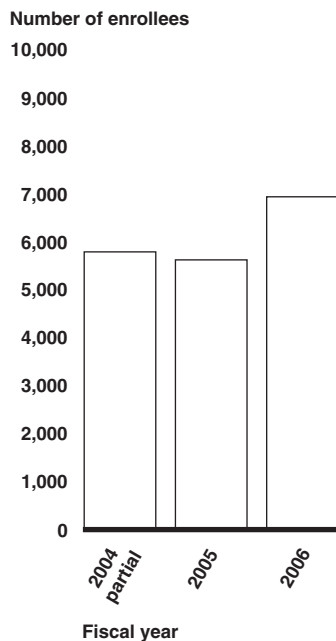
The universe of workers eligible for wage insurance cannot be estimated because data are not available on the number of workers certified for TAA who are 50 years old or older and meet the other eligibility requirements. However, two-thirds of the states we surveyed estimated that 5 percent or less of TAA participants received wage insurance in fiscal year 2006. In our study of five layoffs, we found that no more than one in five of the workers potentially eligible for the wage insurance benefit received it. In 2006, wage insurance benefits totaling \$16.7 million were paid to about 6,300 workers. The total yearly benefits remain far lower than the 2002 Congressional Budget Office estimate of \$50 million per year.

Participation levels remain low for the health coverage benefit. Although the number of TAA participants enrolling for the first time in the advance health coverage benefit—whereby participants receive a monthly tax credit that covers 65 percent of their premiums—has increased since 2004,

only about 6,900 received the advance health benefit for the first time in fiscal year 2006. TAA participants may also elect to receive an end-of-year tax credit, but the number of TAA participants selecting this option is also low and has been decreasing over time. We estimate that for tax year 2005, approximately 5,700 TAA participants received end-of-year tax credits.

New enrollments in the advance credit option have increased over the past 2 fiscal years, from about 5,600 to about 6,900 enrollments (see fig. 9). As of September 2006, approximately 7 percent of the workers that were eligible for the extended income support, a basic requirement for the health coverage benefit, were receiving the advance credit. However, some of the workers that were eligible for extended income support may not meet other eligibility requirements for the health coverage benefit, such as having a qualified health plan. Since inception of the advance benefit, about 22,000 TAA participants have received the credit.

Figure 9: Advance Health Coverage Benefit Enrollments, Fiscal Years 2004 to 2006



Source: GAO analysis of IRS data.

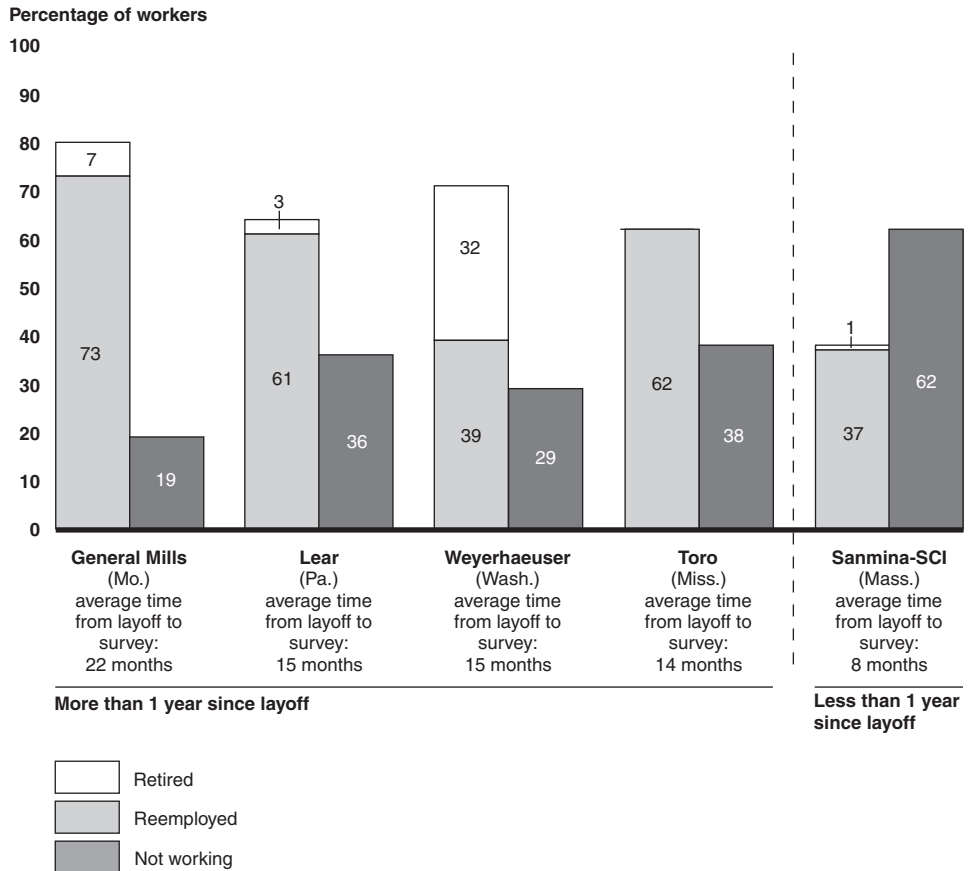
Notes: IRS data on new advance credit enrollments are unavailable prior to January 2004.

Little Is Known Nationwide about What the Program Achieves

The TAA programwide performance data that are currently available do not provide a complete and credible picture of the program's performance. In our 2006 review of TAA performance data, we found that the data that Labor uses to calculate program outcomes, such as reemployment and retention rates, did not include all participants who had completed the program. Only half the states reported that the data they submit to Labor for determining progress toward national performance goals include all TAA participants who stop receiving benefits or services—that is, exit the TAA program, as Labor requires. We found that Labor did not have a process in place to ensure that states included all exiting participants in their data. As a result, the performance data are incomplete and may be skewed. In addition, some states were not using all available data sources to determine TAA participants' employment outcomes. This may result in lower reported outcomes because states may be inaccurately recording some workers as unemployed who actually have jobs. To compile TAA data, some states have information technology (IT) systems with limited capabilities that may hinder their ability to ensure that the TAA data are complete and accurate. Nine states were using manual rather than automated processes to compile their TAA performance data, increasing the data's vulnerability to data entry errors, and only about half of the states' TAA IT systems could perform edit checks to help minimize errors. State officials said resource shortages contributed to their data problems, but many states planned to make improvements to their TAA IT systems' capabilities. At the end of fiscal year 2006, Labor distributed \$250,000 to each state to help them improve their TAA performance data systems, but it is too soon to know whether their efforts will improve the quality of the data.

Because nationwide outcome data are limited, our study of five layoffs examined the outcomes for workers affected by these layoffs. We found that most of the workers who lost their jobs because of foreign trade at four of the five sites we studied had either found a job or retired at the time of our survey (see fig. 10).

Figure 10: Most Workers at Four of Five Sites Had Found Jobs or Retired at the Time of the Survey



Source: GAO survey of dislocated workers.

The workers who had entered training were the least likely to be reemployed at each site, but it may be too soon to know the effect of training on employment outcomes. Some of the workers who had enrolled in training were expected to still be in training at the time of our survey. Workers who did not go to a one-stop center were at least as likely to be reemployed as those who visited a one-stop (but did not get training). At only two sites—Weyerhaeuser and Sanmina-SCI—were workers who did not visit a one-stop center more likely to be reemployed than those who did. For example, at Weyerhaeuser, 50 percent of those who did not visit a one-stop center were reemployed, compared with 39 percent of those who did visit a one-stop center but did not get training.

The majority of reemployed workers earned less in their new jobs than they had previously earned, but according to our survey estimates generally replaced about 80 percent or more of their prelayoff wages. Workers and officials told us that several of the plants that we studied paid higher wages than other companies in the area. Unless workers moved out of the area, they could not easily earn comparable wages doing the same type of work.

Workers at four of the five sites who did not go to a one-stop center had a higher average prelayoff wage than those who did. For example, Weyerhaeuser workers who did not go to a one-stop center had an average prelayoff wage of about \$30 an hour, while those who visited a one-stop center (but did not get training) had an average pre-layoff wage of about \$27 an hour. When reemployed, workers who did not visit a one-stop center generally replaced at least the same proportion of their prelayoff wages as those who did.⁹ With the exception of employees at Lear, those who received training had the lowest average prelayoff wages. And at two of five sites, these workers had the lowest average wage replacement rate when reemployed (see table 3).

Table 3. Average Prelayoff Hourly Wage and Wage Replacement Rates

Company	Went to one-stop and enrolled in training		Went to one-stop but did not enroll in training		Did not go to one-stop	
	Average pre-layoff hourly wage (in dollars)	Average wage replacement rate when reemployed (percent)	Average pre-layoff hourly wage (in dollars)	Average wage replacement rate when reemployed (percent)	Average pre-layoff hourly wage (in dollars)	Average wage replacement rate when reemployed (percent)
General Mills	\$15.67	82	\$16.49	88	\$17.97	95
Lear	16.22	92 ^a	16.13	74	17.26	94
Weyerhaeuser	25.35	71 ^a	27.10	87	30.34	93 ^c
Toro	13.83	^b	15.21	81	^b	^b
Sanmina-SCI	16.79	89	18.46	94	22.96	96 ^c

Source: GAO survey of dislocated workers.

⁹ At the fifth site, Toro, in Mississippi, all workers went to a one-stop center. Therefore, we could not compare the employment outcomes for those who visited a center to the outcomes for those who did not.

Notes: Some of the workers who entered training—ranging from about one-third to over 60 percent among the 5 sites—were expected to still be in training at the time of our survey, and it may have been more difficult for these workers to have started a new job. Differences between estimates of average wage replacement rates for workers who did not visit a one-stop center versus those who did were not statistically significant at the 95 percent confidence interval at Weyerhaeuser and Sanmina-SCI.

^aThese estimates have margins of error of plus or minus 15 percent or less of the value of the estimates.

^bAll Toro workers went to a one-stop center. None of the Toro workers who went to training have become employed, according to administrative data. However, all but one were expected to still be in training at the time of our survey.

More than half of reemployed workers returned to the manufacturing sector, and at most sites workers who returned to manufacturing replaced about the same proportion of their prelayoff wages as workers who entered other fields. Workers who entered training replaced slightly less of their wages than workers who did not at all but one site, and those who were trained generally left manufacturing for another industry. When reemployed workers did not return to manufacturing, we found they entered fields such as professional and business services; trade, transportation, and utilities; construction; and education, health care, and social services. To determine whether participant outcomes are a result of services, rather than other factors, it is necessary to conduct an impact evaluation that can take these and other factors into account. Labor has funded a long-term study to assess the impact of TAA program services. Data collection began in 2005 and will continue until 2008, and a final report is scheduled to be issued by the end of 2008.

Concluding Observations

The TAA program targets manufacturing workers affected by international trade, who may have fewer transferable skills and face greater challenges to reemployment than other dislocated workers. The program provides a unique blend of services and benefits that have been designed to meet these workers' needs—some of which are not available to other dislocated workers. But little has been known about whether the services provided are the right mix for today's workers who are dislocated due to trade. Our case study provided a glimpse of the needs of a small group of workers, the services they received, and their employment outcomes about 8 to 22 months after their layoffs.

Workers affected by layoffs take a variety of paths. Workers are increasingly taking advantage of wage insurance and health coverage benefits, but the numbers remain fairly small. In our case study, we learned that a large majority sought some assistance from their one-stop center. Relatively few chose to enroll in training, but those who did often

used this opportunity to chart a new career path. A few did not seek any federally funded reemployment services, and yet were still successful in getting a new job. We cannot know all the factors that motivate workers to seek particular services or that affect their employability, and we cannot assess the role that TAA services played in the outcomes workers achieved. It may be that some workers make an independent assessment of what they need to help them rejoin the workforce and then try to take the necessary steps, such as seeking services at a one-stop, to make that happen.

GAO Contacts and Staff Acknowledgements

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