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TRADE
ADJUSTMENT
ASSISTANCE

Industry Certification
Would Likely Make
More Workers
Eligible, but Design
and Implementation
Challenges Exist





Highlights of [GAO-07-919](#), a report to congressional requesters

TRADE ADJUSTMENT ASSISTANCE

Industry Certification Would Likely Make More Workers Eligible, but Design and Implementation Challenges Exist

Why GAO Did This Study

Trade Adjustment Assistance (TAA) is the nation's primary program providing job training and other assistance to manufacturing workers who lose their jobs due to international trade. For workers to receive TAA benefits, the Department of Labor (Labor) must certify that workers in a particular layoff have lost their jobs due to trade. Congress is considering allowing entire industries to be certified to facilitate access to assistance.

GAO was asked to examine (1) trends in the current certification process, (2) the extent to which the proposed industry certification approach based on three petitions certified in 180 days would increase eligibility and identify potential challenges with this approach, and (3) the extent to which an approach based on trade remedies would increase eligibility and identify potential challenges. To address these questions, GAO analyzed data on TAA petitions, mass layoffs, trade, production, and trade remedies. GAO also interviewed Labor and ITC officials.

GAO is not making recommendations at this time.

Labor reviewed the report and did not provide comments. The ITC provided technical comments that have been incorporated as appropriate.

www.gao.gov/cgi-bin/getrpt?GAO-07-919.

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.

What GAO Found

During the past 3 fiscal years, Labor certified about two-thirds of TAA petitions investigated and generally processed petitions in a timely manner. Labor certified 4,700, or 66 percent, of the 7,100 petitions it investigated from fiscal years 2004 to 2006. Labor took on average 32 days to make a certification decision and processed 77 percent of petitions within the required 40-day time frame. According to Labor officials, they were not always able to meet the 40-day time frame because they sometimes did not receive information from company officials in a timely manner. In fiscal year 2006, 44 percent of the petitions that Labor denied were because workers were not involved in the production of an article.

An industry certification approach based on three petitions certified in 180 days would likely increase the number of workers eligible for TAA but presents some design and implementation challenges. However, the extent of the increase in eligible workers depends on the additional criteria, if any, industries would have to meet to be certified. From 2003 to 2005, 222 industries had three petitions certified within 180 days. Based on our analysis of 69 of these industries for which we could obtain complete data, the number of eligible workers in these industries could more than double if no additional criteria were used, but would expand by less than 10 percent if industries had to meet more restrictive criteria, such as demonstrated increases in the import share of the domestic market over a 3-year period. Designing the criteria presents challenges due to the possibility of making workers who lose their jobs for reasons other than trade eligible for TAA. Implementation challenges include notifying all workers of their potential eligibility, verifying their eligibility, and linking them with services.

Using trade remedies to certify industries could also expand eligibility for workers in some industries, but challenges exist. While basing industry certification on trade remedies could expand eligibility in areas where there have been no TAA petitions, some trade remedies are for products already covered by TAA petitions, such as iron and steel products. It is difficult to estimate the extent of the impact on worker eligibility because trade remedies are applied to specific products, and data on unemployment by product do not exist. This approach presents many of the same challenges as industry certification based on three petitions certified in 180 days. For example, workers who did not lose their jobs due to international trade could be made eligible for TAA because trade remedy investigations are not focused on employment. In addition, verifying workers' eligibility may be particularly challenging due to the narrow product classifications of some trade remedy products, such as carbazole violet pigment 23. In companies that make multiple products, it may be difficult to identify which specific workers made the product subject to trade remedies.

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Abbreviations

ATAA	Alternative Trade Adjustment Assistance
HCTC	Health Coverage Tax Credit
ITC	International Trade Commission
MLS	Mass Layoff Statistics
TAA	Trade Adjustment Assistance
SIC	Standard Industrial Classification
UI	Unemployment Insurance
WARN	Worker Adjustment and Retraining Notification

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United States Government Accountability Office
Washington, DC 20548

June 29, 2007

The Honorable Charles B. Rangel
Chairman
Committee on Ways and Means
House of Representatives

The Honorable Adam Smith
House of Representatives

Since 2000, more than 3 million jobs have been lost in the manufacturing sector due to a range of factors, including international trade. While international trade has affected a broad range of industries both positively and negatively, certain industries have been particularly hard hit, such as textiles, paper products, and automotive parts.

A key federal program serving workers in the manufacturing sector who are adversely affected by trade is the Trade Adjustment Assistance (TAA) program. TAA, administered by the Department of Labor (Labor), provided about \$966 million in fiscal year 2006 in income support, job training, and other benefits to assist these workers.¹ In order for workers to receive TAA benefits and services, Labor must certify that workers in a particular layoff have been adversely affected by trade. Over the past 3 fiscal years, about 400,000 workers were certified for TAA, with approximately 123,000 workers certified in the most recent year, 2006. The certification process begins when a petition is filed with Labor on behalf of a group of laid-off workers. Labor then has 40 days to review the petition and determine whether it meets the criteria for certification, including determining whether the layoff occurred because of an increase in imports or a shift in production to another country. To make such a determination, Labor surveys the firm undergoing the layoff and its customers and also reviews data on the firm's industry. Once a petition is certified, state and, in some cases, local workforce agencies notify workers of their eligibility for TAA and help them to enroll in the program's benefits and services.

¹Other benefits include wage insurance for workers age 50 and older and job search and relocation allowances. An additional \$80 million was provided for the health coverage tax credit advance payment benefit in 2006.

While current legislation governing TAA gives the President and the U.S. Trade Representative authority to request an industrywide investigation and recommend that workers in an industry injured by trade be provided assistance through TAA, this provision has never been used, according to Labor officials. Congress is now considering approaches that would facilitate certifying entire industries for TAA. One approach being considered would make an industry eligible to be investigated for possible certification when Labor certifies three petitions from that industry within 180 days. An investigation would determine whether the entire industry has been affected by trade and, therefore, whether workers in any future layoff in that industry should automatically be eligible for TAA. Another approach would require certification of an industry with a trade remedy. Trade remedies include, for example, a duty imposed on an imported product because the Department of Commerce found the product had been subsidized and the International Trade Commission (ITC) found that a domestic industry had been injured by the unfair trade practices. To better understand the potential effects of certifying entire industries for TAA, you asked us to assess the implications of having industrywide certification. Specifically, we examined (1) recent trends in Labor's certification of TAA petitions, (2) the extent to which industry certification based on three petitions certified within 180 days would increase the number of workers eligible for TAA and potential challenges associated with such an approach, and (3) the extent to which certification of industries subject to trade remedies would increase the number of eligible workers and potential challenges.

To address these questions, we analyzed Labor's data on TAA petitions, the Bureau of Labor Statistics' Mass Layoff Statistics data, and the Census Bureau's data on trade and production, as well as the International Trade Commission's data on trade remedies. In examining recent trends in Labor's certification of TAA petitions, we analyzed data from fiscal years 2004 to 2006. However, in estimating the extent to which industry certification would increase the number of eligible workers, we analyzed data from calendar years 2003 to 2005 because it was the most recent time period that trade, production, and Mass Layoffs Statistics data were all available. Due to data limitations, our analysis of the impact of an industry certification approach based on three petitions certified in 180 days is limited to a subset of industries for which we were able to obtain complete information. Because we are unable to conclude whether the industries we analyzed are representative of industries that might qualify for an industrywide investigation, our results are not generalizable to all industries. Furthermore, they are not predictive of future levels of eligible workers. We also interviewed officials at Labor and the International

Trade Commission. We conducted our work from January to June 2007 in accordance with generally accepted government auditing standards. See appendix I for a detailed discussion of our scope and methodology.

Results in Brief

During the past 3 fiscal years, Labor certified two-thirds of petitions it investigated and generally processed petitions in a timely manner. Labor certified 4,700, or 66 percent, of the 7,100 petitions it investigated from fiscal years 2004 to 2006. 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, paralleling a decline in the number of petitions filed. Labor took on average 32 days to make a certification decision and processed 77 percent of petitions within the required 40-day time frame. Labor most often took only an additional day to process the remaining petitions, and 95 percent were completed within 60 days. According to Labor officials, when they did not meet the 40-day time frame, it was often because they did not receive necessary information in a timely manner from company officials. Labor most commonly denied petitions because workers were not involved in the production of articles, a basic requirement of the TAA program. Of the 800 petitions denied in fiscal year 2006, 44 percent were denied for this reason. Of the approximately 2,600 petitions initially denied from fiscal years 2004 to 2006, 16 percent were appealed, and the decisions were reversed in about one-third of these cases.

An industry certification approach based on three petitions certified within any 180-day period would likely increase the number of workers eligible for TAA but also presents some design and implementation challenges. Between 2003 and 2005, 222 industries—out of 515 industries with at least one TAA certification—met the criteria of three petitions certified in 180 days and would have been considered for industry certification. These industries included over 70 percent of workers estimated to be certified for TAA between 2003 to 2005. However, it is unlikely that Labor would have certified all of the 222 industries because some may not have shown industrywide evidence of being adversely affected by trade. The number of industries receiving certification and the number of additional workers eligible for TAA would depend on the additional eligibility criteria industries would have to meet. For example, among the industries for which we could obtain complete data, we found that the number of workers eligible for TAA could more than double if no additional criteria were used, but would expand by less than 10 percent if industries had to meet more restrictive criteria, such as demonstrated increases in the import share of the domestic market over a 3-year period.

This industry certification approach presents some potential design and implementation challenges. Using an industrywide approach raises the possibility that workers will be certified who have not been affected by trade. For example, workers in a certified industry could be laid off for reasons other than trade, such as the work being relocated domestically. In addition, industry certification presents some potential implementation challenges, including finding ways to notify all potentially eligible workers in certified industries, verify their eligibility, and initiate the delivery of services.

Using trade remedies to certify industries could expand eligibility for workers in some industries, but the extent is uncertain and some challenges exist with using trade remedies to identify trade-related job losses. Such an industry certification approach could expand eligibility for TAA because some trade remedies may cover areas in which there have been few or no certified TAA petitions. However, some trade remedies are for products that may already be covered by TAA petitions, so the number of workers eligible for TAA may not increase substantially in these areas. For example, more than half of two common types of trade remedies are for iron and steel products, industries that have hundreds of certified TAA petitions. Despite this overlap, eligibility could expand to some unemployed workers whose firm did not submit a petition or did not qualify under current TAA certification criteria. It is difficult to estimate the extent of the impact on worker eligibility for TAA through such an approach because trade remedies are applied to specific products, and data on unemployment by product do not exist. In addition, this approach presents some of the same challenges as an industry certification approach based on three petitions certified in 180 days. For example, workers who did not lose their jobs due to international trade could be made eligible for TAA in part because trade remedy investigations are not focused on employment. In addition, verifying workers' eligibility could be particularly challenging because of the narrow product classifications of some trade remedy products. For example, one product subject to a trade remedy is a particular dye color—carbazole violet pigment 23—and firms that produce this pigment may also produce other pigments not covered under trade remedies. In firms that make multiple products, it may be difficult to identify which specific workers are involved in making the product subject to trade remedies.

The Department of Labor reviewed our report and did not provide comments. The International Trade Commission provided us with technical comments, which we incorporated into the report as appropriate.

Background

The Trade Adjustment Assistance (TAA) program is the federal government's primary program specifically designed to provide assistance to workers who lose their jobs as a result of international trade. In addition, to assist U.S. domestic industries injured by unfair trading practices or increases in certain fairly traded imports, U.S. law permits the use of trade remedies, such as duties on imported products.

TAA Certification Process and Eligibility Requirements

Currently, Labor certifies workers for TAA on a layoff-by-layoff basis. 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. 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 investigates whether a petition meets the requirements for TAA certification and is required to either certify or deny the petition within 40 days of receiving it.

The TAA statute lays out certain basic requirements for petitions to be certified, 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. In addition to meeting these basic requirements, a petition must demonstrate that the layoff is related to international trade in one of several ways:

- 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.
- Shift of production—the firm has shifted production of an article 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.

Labor investigates whether each petition meets the requirements for TAA certification by taking steps such as surveying officials at the petitioning firm, surveying its customers, and examining aggregate industry data. In the surveys, Labor obtains information on whether the firm is now importing products that it had once produced or whether its customers are now importing products that the firm produced. They also obtain information on whether the firm has moved or is planning to move work overseas and, to identify a secondary impact, whether the layoff occurred due to loss of business with a firm that was certified for TAA. 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.

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 U.S. Court of International Trade for judicial review of Labor’s denial. Workers must appeal a denial to the Court within 60 days of either the initial denial or a denial following administrative reconsideration by Labor.

Trade Adjustment Assistance Benefits

Under TAA, workers certified as eligible for the program may have access to a variety of benefits:

- *Training* for up to 130 weeks, including 104 weeks of vocational training and 26 weeks of remedial training, such as English as a second language or adult basic education.
- *Extended income support* for up to 104 weeks beyond the 26 weeks of unemployment insurance (UI) benefits available in most states.
- *Job search and relocation benefits* fund participants' job searches in a different geographical area and relocation to a different area to take a job.
- *A wage insurance benefit*, known as the Alternative Trade Adjustment Assistance (ATAA) program, pays older workers who find a new job at a lower wage 50 percent of the difference between their new and old wages up to a maximum of \$10,000 over 2 years.
- *A health coverage benefit*, known as the Health Coverage Tax Credit (HCTC), helps workers pay for health care insurance through a tax credit that covers 65 percent of their health insurance premiums.

In addition, case managers 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.

Trade Remedies

The United States and many of its trading partners have used laws known as “trade remedies” to mitigate the adverse impact of certain trade practices on domestic industries and workers, notably dumping—when a foreign firm sells a product in the United States at a price below fair market value—and foreign government subsidies that lower producers’ costs or increase their revenues. In both situations, U.S. law provides that if dumped or subsidized imports injure a domestic industry, a duty intended to counter these advantages be imposed on imports. Such duties are known as anti-dumping and countervailing duties. In addition, in the event of an increase in imports of a certain product, safeguards, such as quotas or tariffs, may be applied to these products to provide an opportunity for domestic industries to adjust to increasing imports. As of March 30, 2007, there were 280 antidumping and countervailing duty orders, and according to officials at the ITC, there were no safeguard measures in place.

The process for imposing a trade remedy begins when a domestic producer files for relief or when the Department of Commerce (Commerce) initiates the process, followed by two separate investigations: one by Commerce to determine if dumping or subsidies are occurring, and the other by the ITC to determine whether a domestic U.S. industry is materially injured by such unfairly traded imports or, in the case of safeguards, experiences serious injury from a rise in imports. As a result of an affirmative determination by both Commerce and the ITC in an antidumping or countervailing duty investigation, a duty is imposed on the imported good that can reflect the difference in the price in the foreign market and the price in the U.S. market, known as the “dumping margin,” or the amount of the foreign subsidy. In the case of an affirmative determination in a safeguard investigation, the ITC provides the President with one or more recommendations for remedying the situation, such as a tariff or quota on an imported product. The President may implement or modify the recommendations, or take no action due to U.S. economic or national security interests.

Labor Certified Two-Thirds of Petitions Investigated and Generally Processed Petitions in a Timely Manner

Labor certified two-thirds of petitions that it investigated over the past 3 fiscal years, certifying nearly 4,700 petitions, covering an estimated 400,000 workers (see table 1).² 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. This decline parallels a decline in the number of petitions filed.

²In fiscal year 2004, approximately 138,000 workers were estimated to be certified for TAA. In fiscal year 2005, about 122,000 workers were estimated to be certified, and in fiscal year 2006, about 123,000 workers were estimated to be certified. The data used to estimate the number of workers certified as eligible for TAA is 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.

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	8,086	7,149	4,685^b	2,464^c	66

Source: GAO analysis of Department of Labor TAA petitions data.

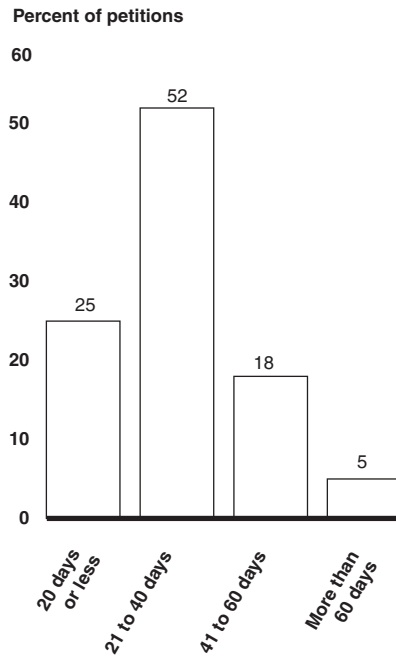
^aAbout 900 petitions were terminated prior to an investigation by the Department of Labor during fiscal years 2004 to 2006, accounting for 12 percent of petitions filed. Petitions may be terminated for several reasons, including that a petition was recently denied for the layoff or a company official 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.

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 (see fig. 1). Labor most often took only an additional day to process the remaining petitions, and 95 percent were completed within 60 days. Labor officials said that they are not always able to meet the 40-day time frame because they sometimes do not receive necessary information in a timely manner from company officials.

Figure 1: Percent of Petitions Processed within Various Time Frames, Fiscal Years 2004 to 2006

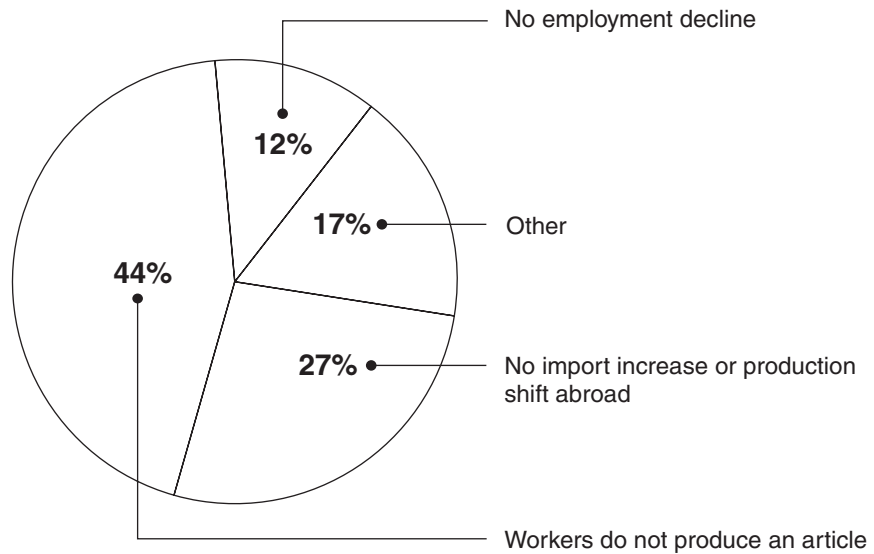


Source: GAO analysis of Department of Labor petitions data.

In fiscal year 2006, the most common reason petitions were denied was that workers were not involved in producing an article, a basic requirement of the TAA program.³ Of the more than 800 petitions filed in fiscal year 2006 that were denied, 359 (44 percent) were denied for this reason (see fig. 2). Of those petitions denied because workers did not produce articles, most came from two industries, business services, such as computer programming, and airport-related services, such as aircraft maintenance (see app. II for the complete list of industries that had petitions denied by reason for the denial).

³Fiscal year 2006 was the first year that complete data were available on the reasons petitions were denied.

Figure 2: Reasons Petitions Filed in Fiscal Year 2006 Were Denied

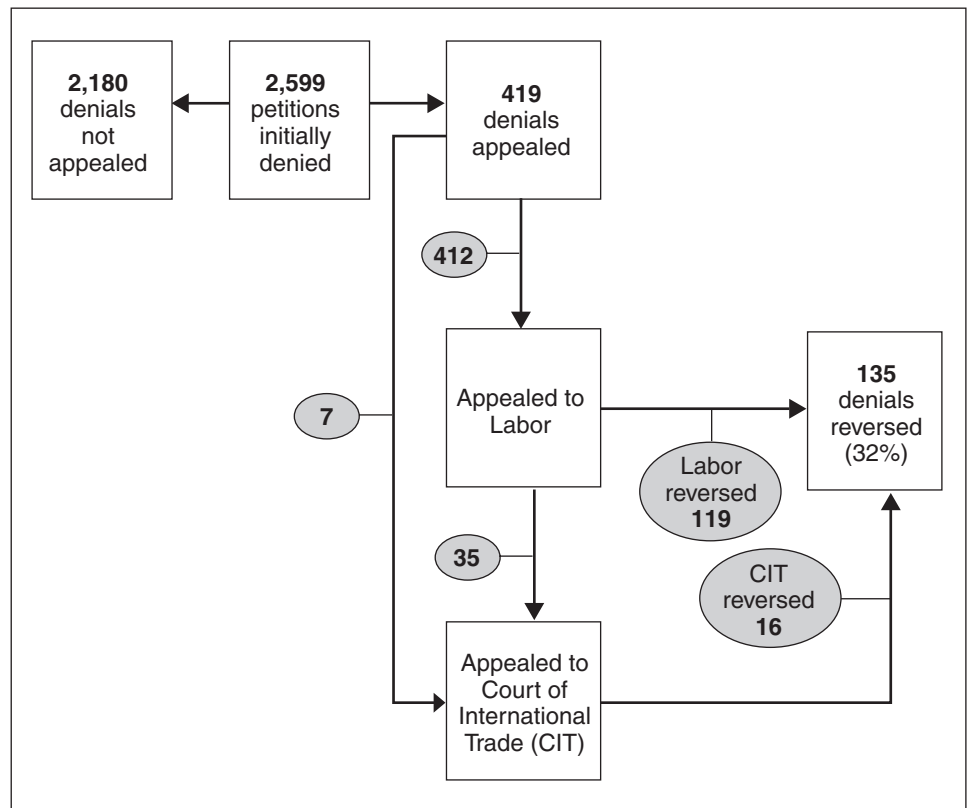


Source: GAO analysis of Department of Labor data on petitions filed during fiscal year 2006.

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. The figure does not include two petitions that were missing information on reasons they were denied.

During the past 3 fiscal years, workers appealed decisions in 16 percent of the approximately 2,600 petitions that Labor initially denied, with the vast majority appealed to Labor. Labor’s decisions were reversed in one-third of the appeals (see fig. 3). Labor officials told us that appeals are often reversed because Labor receives new information from petitioners or company officials, as part of the appeals process, that justifies certifying the petition.

Figure 3: Appeals of Petitions Filed during Fiscal Years 2004 to 2006



Source: GAO analysis of Department of Labor petitions data and U.S. Court of International Trade cases.

Note: Some appeals were still being processed at the time this report was issued.

Although few denied petitions are appealed to the U.S. Court of International Trade—42 in the last 3 fiscal years—many of the recent appeals concern the issue of whether workers were involved in the production of articles. In fiscal years 2005 and 2006, Labor’s original denial was reversed in 13 cases appealed to the Court, and most of these cases addressed the issue of whether workers produced articles. Some of these cases concerned workers who produced software, which Labor had regarded as a service when the software was not contained in a physical medium, such as a CD-ROM. In 2006, Labor revised its policy, stating that software could be considered an intangible article because it would have been considered an article if it had been produced in a form such as a CD-ROM. Following this decision, a Labor official reported that Labor had certified 12 of 21 petitions investigated in the software and computer-related services industries.

Industry Certification Based on Multiple Certifications Would Likely Increase Eligible Population, but Some Implementation Challenges Exist

An industry certification approach based on three petitions certified within 180 days would likely increase the number of workers eligible for TAA, but presents some design and implementation challenges. For example, among the industries for which we could obtain complete data, we found that the number of additional workers eligible for TAA in those industries could more than double if no additional criteria were used or expand by less than 10 percent with relatively restrictive criteria. However, such an approach presents some design and implementation challenges. For example, designing the specific criteria an industry must meet to be certified could be challenging due to the possibility of making workers who lose their jobs for reasons other than trade eligible for TAA. In addition, it may be challenging to ensure that all workers in certified industries are notified of their potential eligibility for TAA, verify workers' eligibility, and initiate the delivery of services to workers.

Extent of Increase in Eligible Workers Depends on How Additional Criteria Are Set

From 2003 to 2005, 222 industries had three petitions certified within 180 days and therefore would have triggered an investigation to determine whether an entire industry should be certified, if such an approach had been in place at that time.⁴ These industries represented over 40 percent of the 515 industries with at least one TAA certification in those 3 years and included 71 percent of the workers estimated to be certified for TAA from 2003 to 2005.⁵ The 222 are a diverse set of industries, including textiles, apparel, wooden household furniture, motor vehicle parts and accessories, certain plastic products, and printed circuit boards (see app. III for a list of the 222 industries).⁶

The proposals for this approach include a requirement that an investigation be initiated after an industry meets the three certifications in 180 days criterion. This investigation would use some additional criteria to determine whether these certifications represent a broad industrywide phenomenon or just a collection of firms experiencing similar pressures

⁴When companies lay off workers at multiple divisions or locations, they may file separate petitions for each division or location. In these situations, we counted the separate petitions as one so that an industry did not become eligible to be considered for certification when the three petitions were from the same company.

⁵These industries are based on 4-digit Standard Industrial Classification (SIC) System codes.

⁶Increasing the number of certified petitions required in a 180-day period from 3 to 5 would cut in half—from 222 to 111—the number of industries that would have met this criterion during 2003 to 2005.

from foreign trade. As a result, not all 222 industries would likely be certified industrywide. The additional criteria that an industry would have to meet to be certified have not yet been specified, but they could include factors such as the extent to which an industry has been impacted by imports, changes in production levels in the industry, or changes in employment levels.⁷

The number of workers that would become eligible for TAA through an industry certification approach depends on what additional criteria are established. For example, we analyzed 69 industries in the manufacturing sector for which we had comprehensive data on petitions, unemployment, trade and production.⁸ These industries represent about one-third of the 222 industries that would have been eligible for industrywide certification (13 percent of industries with petitions certified). If there were no additional criteria beyond the 3 petitions criteria and all of the 69 industries had been certified, the number of workers eligible for TAA in these industries would have more than doubled over the number that were actually certified under the current layoff-by-layoff process. However, if certification were limited to those industries that also had a 10 percent increase in the import share of the domestic market over a 1-year period, we estimated that the increase in eligible workers in these industries would have been more modest, at roughly 70 percent. Under a slightly more restrictive criterion—a 15 percent increase in the import share of the domestic market—the increase in the number of eligible workers would be less, an estimated 39 percent in those 69 industries (see fig. 4).⁹ If we were able to analyze the program as a whole the magnitude of the

⁷Under the proposal, if Labor determines that an industry should not be certified, workers who are laid off in that industry could still be certified for TAA by filing a petition through the layoff-by-layoff certification process.

⁸Of the 222 industries, we analyzed 69 for which we had complete data. The data available used different classification systems that we matched to each other, but we only included data for which we had complete and well-defined matches. In addition, our production data was limited to manufacturing industries only. Since the 69 industries were not drawn from a random sample, the results of this analysis are not necessarily representative of the entire 222 industries, nor are they predictive of future levels of eligible workers. See appendix I for more information on our methodology.

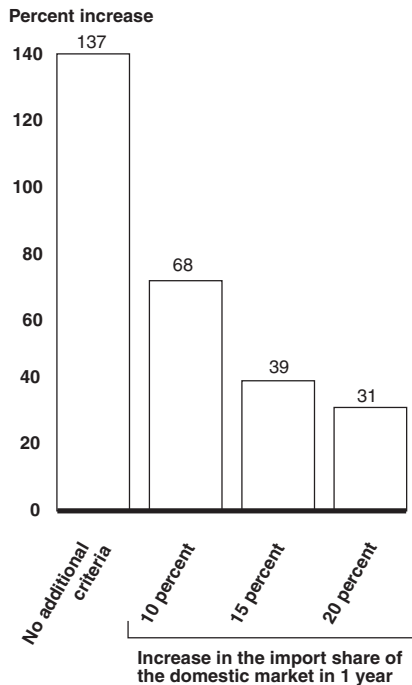
⁹While we chose these criteria to illustrate the impact that more or less restrictive thresholds could have on the number of industries and additional workers that would become eligible for TAA, an investigation would likely examine a variety of measures, not a single one as we have shown here.

increases would likely be different.¹⁰ This would occur, in part, because the number of workers would increase only in those industries that met the three petition criterion and would not increase in those that did not meet the criterion. Thus the multiplier we developed for the 69 industries could not be applied broadly to all 515 industries with certified petitions.¹¹

¹⁰Our analysis applied the same threshold to all industries. In practice, the criteria could vary by industry in order to take into account industry-specific patterns in trade and other economic criteria. For example, it may be difficult for industries with historically large volumes of imports to meet the criteria of a 10 or 15 percent increase in import share of the domestic market. These industries could experience significant increases in the absolute volume of imports, but because the baseline is large, the increase may not account for a 10 or 15 percent change.

¹¹We used the information from the 69 industries we could analyze to estimate the potential increases in eligible workers programwide. These estimates are subject to the limitation that the 69 industries may not be representative of all 222 industries that had 3 petitions certified in 180 days. For example, if there were no additional criteria beyond 3 petitions certified in 180 days, the overall number of workers eligible for TAA might have nearly doubled, from 118,000 to 233,000 in 2005. If the trade threshold were set at a 10 percent increase in the import share, the number of eligible workers might have increased by approximately 49 percent, from 118,000 to 175,000. If certification were limited to industries with a 15 percent increase in any 1 year, the number of workers eligible for TAA might have increased by approximately 27 percent, from 118,000 to 150,000. If the criteria were a 20 percent increase in the import share in any 1 year, the number of workers eligible for TAA might have increased by about 22 percent, from 118,000 to 144,000. To obtain these programwide estimates, we assumed that all 222 industries would have similar increases in the number of eligible workers as the 69 industries we analyzed. We then added the number of workers who would have been eligible for TAA in the 222 industries, where eligibility would expand, to the actual number of workers certified in the 293 industries that did not meet the 3 petitions certified criteria. We then compared this to the original number of workers actually certified for TAA in all 515 industries with at least one TAA certification. This enabled us to estimate program wide percentage increases in the number of eligible workers. However, as we noted above, the results of our analysis of the 69 industries are not necessarily representative of the entire 222 industries because the 69 industries were not drawn from a random sample.

Figure 4: Estimated Increase in the Number of Eligible Workers in 69 Industries, 2003 to 2005



Source: GAO analysis of Department of Labor petitions data, Extended Mass Layoff Statistics data, and Census' trade and production data.

More stringent criteria would result in a smaller increase in the number of workers eligible for TAA. For example, if over a 3-year period, an industry were required to have a 15 percent increase in the import share of the domestic market in 1 year, as well as increases in the import share during the 2 other years, we estimated that there would have been a 9 percent increase in the number of workers eligible for TAA in the 69 industries we analyzed.¹² (For further analysis of the 69 industries, see app. IV.)

Potential Design and Implementation Challenges Exist

Although industry certification based on three petitions certified in 180 days is likely to increase the number of workers eligible for TAA, it also presents several potential design and implementation challenges.

¹²Our analysis looked specifically at the time period between 2003 and 2005. We examined whether an industry had a 15 percent increase in the import share of the domestic market in 1 year and increases in the import share in 2 other years between 2003 and 2005.

Potential Design Challenges:

- *Designing additional criteria for certification.* Any industrywide approach raises the possibility of certifying workers who were not adversely affected by trade. Even in industries that are heavily impacted by trade, workers could lose their jobs for other reasons, such as the work being relocated domestically. For example, Labor officials told us that they have denied petitions in the apparel industry, which has been heavily impacted by trade, because the layoff was not related to trade but occurred as a result of work being moved to another domestic location. The risk of certifying non-trade affected workers increases with more lenient criteria for industrywide certification. On the other hand, narrow criteria may limit the potential benefits of industry certification because few industries would be certified. Furthermore, using the same thresholds for all industries would not take into account industry-specific patterns in trade and other economic factors. For example, the import share of the domestic market may be volatile and change significantly from year to year in some industries, while other industries may experience smaller year-to-year growth in imports that could represent a significant impact over time.
- *Determining appropriate duration of certification.* Determining the length of time that an industry would be certified may also present challenges. If the length of time is too short, Labor may bear the administrative burden of frequently re-investigating industries that continue to experience trade-related layoffs after the initial certification expires. In addition, a shorter duration may make it difficult for workers to know whether their industry is certified at the particular time that they are laid off. As a result, workers may not know whether they need to file a regular TAA petition to become certified. However, if the time period is too long, workers may continue to be eligible for TAA even if conditions change and an industry is no longer adversely affected by trade.

Potential Implementation Challenges:

- *Defining the industries.* How the industries are defined would significantly affect the number of workers who would become eligible for TAA through an industry certification approach. Our analysis defined industries according to industry classification systems used by government statistical agencies. However, some of these industry categories are broad and may encompass products that are not adversely affected by trade. On the other hand, certain products within

an industry that, as a whole, does not show evidence of a trade impact may have been adversely affected by trade. For example, the men's footwear industry might not be classified as adversely trade-impacted because it did not have a 15 percent increase in the import share of the domestic market over a 1-year period, but it is possible that certain types of men's footwear, such as casual shoes or boots, could be adversely impacted by trade. More narrow definitions would reduce the possibility of certifying workers who are not adversely affected by trade, but doing so would cover fewer workers and could increase the administrative burden for Labor because it might have to investigate more industries.

- *Notifying workers and initiating the delivery of services.* Notifying workers of their eligibility for TAA has been a challenge and would continue to be under industry certification. Under the current certification process, workers are linked to services through the petition process. The specific firm is identified on the petition application, and state and local workforce agencies work through the firm to reach workers in layoffs of all sizes. However, getting lists of employees affected by layoffs and contacting them is sometimes a challenge for states and would remain so under industry certification.¹³ For industry certification, however, there are no such procedures in place to notify all potentially eligible workers in certified industries. For large layoffs in a certified industry, state and local workforce agencies could potentially use some of the processes they currently have in place to connect with workers, but it is not apparent that there would be a built-in link to workers in small layoffs. In large layoffs, firms with 100 or more employees are generally required to provide 60-days advance notice to state and local workforce agencies, who then work with the firm to provide rapid response services and inform workers about the various services and benefits available, including TAA.¹⁴ However, in smaller layoffs in certified industries, or when firms do not provide advance notice, workforce agencies would not know

¹³After a state receives notification from Labor that a TAA petition has been certified, it obtains from the company a list of the workers affected by the certified layoff and sends a letter to these workers informing them of their potential eligibility for TAA. Sometimes companies are unable or unwilling to provide these lists in a timely manner.

¹⁴The Worker Adjustment and Retraining Notification (WARN) Act requires employers to give their employees or their representatives, the state's dislocated worker unit, and local government officials 60 days advance notice of a mass layoff or plant closure. Generally speaking, the WARN Act applies to employers with 100 or more full-time workers involved in layoffs or plant closures that affect 50 or more workers.

that the layoff has occurred and therefore would not be able to notify the workers of their eligibility for TAA.¹⁵

- *Verifying worker eligibility.* Verifying that a worker was laid off from a job in a certified industry to ensure that only workers eligible for TAA receive TAA benefits may be more of a challenge under industry certification than under the current system. For example, it may be difficult to identify the specific workers who made a product in the certified industry if their employer also makes products that are not covered under industry-wide certification. In order to realize one of the potential benefits of industry certification—reduced processing time—this verification process would need to take less time than it takes workers to become certified through the layoff-by-layoff certification process. As we noted, Labor takes on average 32 days to complete its investigation of a petition, but it generally takes additional time for individuals to be notified of their eligibility. In addition, determining which entity would conduct this verification may also present challenges. A centralized process conducted by Labor would likely be unwieldy, while verification by state or local workforce agencies could take less time but ensuring consistency across the nation might prove challenging.

Certifying Industries Subject to Trade Remedies Could Increase Eligible Population, but Extent Is Uncertain and Potential Challenges Exist

Using trade remedies to certify industries for TAA could expand eligibility for workers in some industries, but the extent is uncertain and there are challenges associated with using trade remedies to identify trade-related job losses. Such an approach could expand eligibility because some trade remedies may cover areas in which there have been few or no certified TAA petitions. However, some trade remedies are for products that may already be covered by TAA petitions, so the number of workers eligible for TAA may not increase substantially in these areas. It is difficult to estimate the impact of this approach on eligibility because trade remedies are applied to specific products, and data on unemployment by product do not exist. In addition, this approach presents some of the same challenges as with an industry certification approach based on three petitions certified in 180 days. For example, workers who did not lose their jobs due to international trade could be made eligible for TAA in part because trade

¹⁵In a 2003 report on the WARN Act, GAO found that employers provided notice for an estimated 36 percent of mass layoffs or plant closures that appeared subject to WARN's advance notice requirements. GAO, *The Worker Adjustment and Retraining Notification Act: Revising the Act and Educational Materials Could Clarify Employer Responsibilities and Employee Rights*, [GAO-03-1003](#) (Washington, D.C.: Sept. 19, 2003).

remedy investigations are focused on injury to an industry as a whole and not principally on employment impacts.

Extent of Increase in Worker Eligibility Difficult to Estimate Due to Overlap with TAA Petitions and Lack of Data

Using trade remedies for industrywide certification could result in expanded worker eligibility for TAA in a number of industries. For example, 280 antidumping and countervailing duty orders covering over 100 products were in place, as of March 30, 2007.¹⁶ The number of workers eligible for TAA would increase under this approach in areas in which there have been few or no TAA petitions. For example, even though the ITC found that the domestic industry producing certain kinds of orange juice had been materially injured by imports, there do not appear to have been any certified TAA petitions for workers producing orange juice.

However, the number of workers eligible for TAA may not increase substantially in certain areas in part because of overlap between trade remedies and TAA petitions. For example, over half of outstanding antidumping and countervailing duty orders are for iron and steel products, which have also received hundreds of petitions under TAA. However, even where the products covered by trade remedies and TAA overlap, eligibility could expand to some unemployed workers whose firms did not submit a petition or did not qualify under current TAA certification criteria. In addition, industries with trade remedies may not necessarily have experienced many trade-related job losses because the ITC investigates whether an industry as a whole has been injured and does not specifically focus on employment, according to an ITC official. Whereas Labor investigates whether increased imports contributed importantly to a layoff or threat of layoff, the ITC looks at a wide range of economic factors including but not limited to employment, such as sales, market share, productivity, and profitability.

It is difficult to estimate the extent that industry certification based on trade remedies would increase the number of workers eligible for TAA because trade remedies are imposed on specific products coming from specific U.S. trade partners, and data are not available on job losses at such a detailed level. The product classifications for a given trade remedy can be very narrow, such as “carbazole violet pigment 23” or “welded ASTM A-312 stainless steel pipe.” Estimating the increase in the number of

¹⁶Some products are covered by multiple duty orders. According to ITC officials, there are currently no safeguard measures in place.

eligible workers would require unemployment information categorized by individual product, and these data do not exist.

Potential Challenges Exist with Using Trade Remedies to Identify Trade-Related Job Losses

An approach using trade remedies presents some of the same challenges as an industry certification approach based on three petitions certified in 180 days. Workers who did not lose their jobs due to trade could possibly be made eligible for TAA under a trade remedy approach for several reasons. First, trade remedies are not necessarily an indicator of recent trade-related job losses, in part because the ITC's process is not employment-focused and even recent injury determinations can be based on several prior years of data. For example, officials at Labor told us that trade remedies have not been useful in their investigations of TAA petitions because they are based on several years' worth of information and can be unrelated to current industry and employment conditions. Furthermore, trade remedies are intended to mitigate the trade-related factors that caused the injury to the industry, so employment conditions in an industry could improve after the trade remedy is in place. In addition, as with the other industrywide approach, notifying workers in industries with trade remedies and connecting them with services would also be a challenge, as well as verifying that they were laid off from a certified industry. The verification process could be particularly challenging with an approach based on trade remedies because of the narrow product classifications of some trade remedy products. In firms that make multiple products, for example, more than one type of stainless steel pipe, it may be difficult to identify which specific workers worked on the products subject to trade remedies.

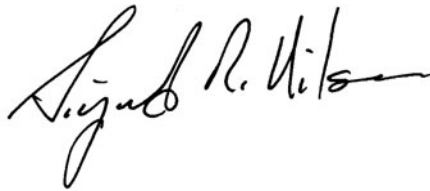
An ITC official also expressed concern that seeking a waiver to share information collected during injury investigations with Labor could hamper ITC's ability to collect confidential business information from firms. By statute, the ITC cannot share with other government agencies business proprietary information submitted to it in a trade remedies investigation without a waiver from the submitter.

Agency Comments

We provided a draft of this report to the Department of Labor and the International Trade Commission. The Department of Labor did not comment. The International Trade Commission provided technical comments, which we incorporated into the report as appropriate.

As arranged with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution of the report until 30 days from its issue date. At that time, we will send copies of this report to the Secretary of Labor, the Chairman of the International Trade Commission, relevant congressional committees, and other interested parties. Copies will also be made available to others upon request. The report will also be available at no charge on GAO's Web site at <http://www.gao.gov>.

Please contact me on (202) 512-7215 if you or your staff have any questions about this report. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of the report. Key contributors to this report are listed in appendix V.

A handwritten signature in black ink, reading "Sigurd R. Nilsen". The signature is written in a cursive style with a long, sweeping underline.

Sigurd R. Nilsen
Director, Education, Workforce,
and Income Security Issues

Appendix I: Objectives, Scope, & Methodology

Our objectives were to determine: (1) trends in Labor’s certification of Trade Adjustment Assistance (TAA) petitions, (2) the extent to which industry certification based on three petitions certified within 180 days would increase the number of workers eligible for TAA, and (3) the extent to which certification of industries subject to trade remedies would increase the number of eligible workers. We also identified potential challenges with an industry certification approach. To address these questions, we analyzed Labor’s data on TAA petitions, the Bureau of Labor Statistics’ Mass Layoff Statistics data, the Census Bureau’s data on trade and production, and the International Trade Commission’s data on trade remedies. In examining recent trends in Labor’s certification of TAA petitions, we analyzed Labor’s petitions data from fiscal years 2004 to 2006. However, in estimating the extent to which industry certification would increase the number of eligible workers, we analyzed data from calendar years 2003 to 2005 because that was the most recent time period that trade, production, and Mass Layoffs Statistics data were all available. In addition, we interviewed officials at Labor and the International Trade Commission. We conducted our work from January to June 2007 in accordance with generally accepted government auditing standards.

Analysis of Labor’s Petitions Data to Determine Certification Trends

To determine trends in Labor’s certification of TAA petitions, we analyzed Labor’s data for petitions filed from fiscal years 2004 to 2006. We assessed the reliability of key data by interviewing Labor officials knowledgeable about the data, observing a demonstration of the database, reviewing our prior assessments of the data, and conducting edit checks. For a small number of petitions, we identified logical inconsistencies or missing values in the data. We brought these issues to the attention of Labor officials and worked with them to correct the issues before conducting our analysis. Complete data on reasons petitions were denied were only available for fiscal year 2006 because Labor only began to collect the data in 2005. As a result, we reported information on reasons petitions were denied for only fiscal year 2006.

In analyzing the number of petitions denied for TAA that were appealed to Labor, we did not include in our analysis petitions that were appealed only for a denial of Alternative Trade Adjustment Assistance (ATAA) wage insurance benefits. These petitions had been certified for TAA after Labor’s initial investigation but denied for wage insurance benefits. In analyzing data on petitions that were appealed to the U.S. Court of International Trade, we compared Labor’s data to Court documents. We determined that Labor’s data on appeals to the Court were not complete. As a result, we supplemented Labor’s data with a review of Court

documents. At the time of our review, some petitions filed during fiscal years 2004 to 2006 may still have been undergoing an appeals process. Our analysis of petition decisions and appeals reflect the outcomes of petitions at the time of our review.

Despite these limitations, we determined that Labor's petitions data were sufficiently reliable for the purposes of this report, which was to provide information on trends in Labor's certification of petitions.

Estimate of Extent to Which Industry Certification Based on Three Petitions Certified in 180 Days Would Increase Worker Eligibility

To estimate the extent to which industry certification based on three petitions certified in 180 days would increase the number of workers eligible for TAA, we first analyzed Labor's data on petitions certified from calendar years 2003 to 2005 to identify which industries would have had three petitions certified in 180 days in that time frame. We then analyzed the Bureau of Labor Statistics' Extended Mass Layoff Statistics survey to determine the number of workers who had been laid off in those industries. We used this data as a proxy for the full number of workers that would have been eligible for TAA had an industrywide certification process been in place at the time. We also collected Census trade data (imports and exports) by industry and Census production data.

Of the 222 industries that had three petitions certified in 180 days from 2003 to 2005, we were able to analyze 69 industries for which we had comprehensive data. The available data sources used different industry classification systems which we matched to each other. Labor's petitions data classified industries according to the Standard Industrial Classification System (SIC), while the Mass Layoff Statistics and Census' trade and production data classified industries based on variations of the North American Industry Classification System (NAICS). In addition, our production data, from Census' *Annual Survey of Manufacturers*, was limited to manufacturing industries. We were able to find complete and well-defined matches (one-to-one NAICS to SIC, or many-to-one NAICS to SIC) between the SIC- and NAICS-defined industries for 69 of the 222 industries. We could not use data on industries where a NAICS code corresponded to multiple SIC codes. Because the 69 industries were not drawn from a random sample, the results of our analysis are not necessarily representative of the entire 222 industries.

In analyzing Labor's petitions data to identify the industries that would have met the three petitions certified in 180 days criteria during 2003 to 2005, we added an additional criterion to our analysis, that the three petitions had to be from three different companies. When companies lay

off workers at multiple divisions or locations, they may file separate petitions for each division or location. We added the criterion to prevent an industry from becoming eligible to be considered for certification when the three petitions were from the same company.

In estimating the number of workers certified for TAA under the current program, we used estimates from Labor's petitions data on the number of workers affected by a layoff at the time that 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. The Department of Labor does not collect information on the number of workers ultimately certified. We used these data to estimate the increases in the number of workers who might be eligible for TAA with the addition of an industry certification approach. They should not be relied upon to support precise numbers on workers certified for TAA.

In estimating the increase in worker eligibility, we used data from the Bureau of Labor Statistics' Mass Layoff Statistics program to estimate the number of unemployed workers in industries that could have been eligible for industrywide certification. The Mass Layoff Statistics program collects reports on mass layoff actions that result in workers being separated from their jobs. Monthly mass layoff numbers are from establishments which have at least 50 initial claims for unemployment insurance (UI) filed against them during a 5-week period. Extended mass layoff numbers (issued quarterly) are from a subset of such establishments—private-sector nonfarm employers who indicate that 50 or more workers were separated from their jobs for at least 31 days. We used Extended Mass Layoffs to reduce the possibility of including workers who were on temporary layoff and subject to recall.

Several limitations of the Mass Layoff Statistics data are relevant to this analysis. First, Mass Layoff Statistics only include workers from larger firms (workers with at least 50 employees). It also only includes workers laid off through larger layoffs (layoffs of at least 50 employees). In 2003, there were 1,404,331 initial claims in the Extended Mass Layoffs. In contrast, estimated unemployment due to permanent layoffs in 2003 was 2,846,000, and total unemployment in 2003 was 8,774,000. Thus, workers involved in extended mass layoffs represented 49 percent of permanent layoffs and 16 percent of total unemployment in 2003.

Second, the Bureau of Labor Statistics suppressed MLS data on the number of layoffs and the number of workers in the data they provided to us, when the number of layoffs in an industry was less than three.

Approximately 40 percent of the data were suppressed. The results reported here reflect the following imputation criterion. Suppressed values were imputed with the mean number of laid-off workers per layoff event within the broad industry group (by year), multiplied by 1.5. We also conducted sensitivity analysis where we used more conservative imputation criteria; results were not highly sensitive to the criterion we selected.

In order to identify changes in trade related to individual industries, we calculated the share of imports in the domestic market for each year between 2002 and 2005. We defined the domestic market as U.S. domestic production (measured by shipments) minus exports plus imports. We then calculated the change in the import share of the domestic market from 2002 to 2003, 2003 to 2004, and 2004 to 2005. We examined the distribution of these changes annually across industries and calculated sample statistics. The mean change for the 69 industries was 6.1 percent in 2003, 13.01 percent in 2004, and 3.5 percent in 2005. The standard deviation for these industries was 11.0 percent in 2003, 30.25 percent in 2004, and 13.74 percent in 2005. We also compared these statistics to those of the entire population of 222 industries and found that they were similar. Based on this analysis, we determined that using criteria of annual changes of 10, 15, and 20 percent for the share of imports in the domestic market was reasonable to illustrate the impact of changing criteria on the number of potential workers eligible for TAA. We also examined compound annual changes across all 4 years and found similar results.

Analysis of Trade Remedies

To determine the extent to which eligibility for TAA would expand if trade remedies were used to certify industries for TAA, we reviewed the industries and products covered by antidumping and countervailing duties. To the extent possible, we assessed areas of overlap between TAA petitions and trade remedies. We also compared the eligibility criteria for TAA with ITC's process for determining if an industry has been injured.

Interviews with Labor and International Trade Commission

To identify potential challenges with industry certification, we interviewed officials at the Department of Labor and International Trade Commission.

Appendix II: Industries in Which Petitions Were Denied, Fiscal Year 2006

Table 2: Industries in Which Petitions Were Denied Because Workers Did Not Produce an Article, Fiscal Year 2006

SIC Code (2-digit)	Industry	Number of petitions denied
73	Business services	119
45	Transportation by air	108
87	Engineering, accounting, research, management, and related services	27
47	Transportation services	16
42	Motor freight transportation and warehousing	13
89	Miscellaneous services	12
76	Miscellaneous repair services	6
36	Electronic and other electrical equipment and components, except computer	5
50	Wholesale trade durable goods	4
60	Depository institutions	4
62	Security and commodity brokers, dealers, exchanges, and services	4
64	Insurance agents, brokers, and service	4
35	Industrial and commercial machinery and computer equipment	3
37	Transportation equipment	3
61	Non-depository credit institutions	3
63	Insurance carriers	3
22	Textile mill products	2
23	Apparel and other finished products made from fabrics and similar materials	2
49	Electric, gas, and sanitary services	2
58	Eating and drinking places	2
72	Personal services	2
8	Forestry	1
15	Building construction general contractors and operative builders	1
24	Lumber and wood products, except furniture	1
26	Paper and allied products	1
27	Printing, publishing, and allied industries	1
28	Chemicals and allied products	1
30	Rubber and miscellaneous plastics products	1
39	Miscellaneous manufacturing industries	1
48	Communications	1
51	Whole trade non-durable goods	1
65	Real estate	1
80	Health services	1
82	Educational services	1
	Total	357

Source: Department of Labor petitions data.

Note: Excludes two petitions missing data on the SIC codes.

**Appendix II: Industries in Which Petitions
Were Denied, Fiscal Year 2006**

Table 3: Industries in Which Petitions Were Denied Due to No Increase in Imports or Production Shift Abroad, Fiscal Year 2006

SIC Code(2-digit)	Industry	Number of petitions denied
35	Industrial and commercial machinery and computer equipment	27
37	Transportation equipment	22
24	Lumber and wood products, except furniture	21
30	Rubber and miscellaneous plastics products	21
34	Fabricated metal parts, except machinery and transportation equipment	20
22	Textile mill products	16
36	Electronic and other electrical equipment and components, except computer equipment	16
26	Paper and allied products	12
27	Printing, publishing, and allied industries	9
28	Chemicals and allied products	9
23	Apparel and other finished products made from fabrics and similar materials	8
39	Miscellaneous manufacturing industries	8
20	Food and kindred products	5
25	Furniture and fixtures	5
38	Measuring, analyzing, and controlling instruments; photographic, medical, and optical goods; watches and clocks	5
32	Stone, clay, glass, and concrete products	4
33	Primary metal industries	4
1	Agricultural production crops	3
73	Business services	3
42	Motor freight transportation and warehousing	2
14	Mining and quarrying of nonmetallic minerals, except fuels	1
50	Wholesale trade durable goods	1
87	Engineering, accounting, research, management, and related services	1
	Total	223

Source: Department of Labor petitions data.

**Appendix II: Industries in Which Petitions
Were Denied, Fiscal Year 2006**

Table 4: Industries in Which Petitions Were Denied Due to No Employment Decline, Fiscal Year 2006

SIC Code (2-digit)	Industry	Number of petitions denied
22	Textile mill products	17
23	Apparel and other finished products made from fabrics and similar materials	12
73	Business services	9
35	Industrial and commercial machinery and computer equipment	8
36	Electronic and other electrical equipment and components, except computer equipment	8
25	Furniture and fixtures	7
30	Rubber and miscellaneous plastics products	6
37	Transportation equipment	6
34	Fabricated metal parts, except machinery and transportation equipment	5
28	Chemicals and allied products	4
32	Stone, clay, glass, and concrete products	4
24	Lumber and wood products, except furniture	3
38	Measuring, analyzing, and controlling instruments; photographic, medical, and optical goods; watches and clocks	3
26	Paper and allied products	2
39	Miscellaneous manufacturing industries	2
87	Engineering, accounting, research, management, and related services	2
7	Agricultural services	1
33	Primary metal industries	1
42	Motor freight transportation and warehousing	1
	Total	101

Source: Department of Labor petitions data.

Note: Excludes one petition missing data on the SIC code.

Appendix III: Industries with Three Petitions Certified in 180 Days, 2003 to 2005

Tables 5 and 6 list the 222 industries that had three petitions certified in 180 days from 2003 to 2005. Table 5 lists the 69 industries we were able to analyze with trade and unemployment data, and table 6 lists the industries we were not able to analyze due to data limitations.

Table 5: Industries with Trade and Unemployment Data Available to Analyze

#	SIC code	Industry	Met 15% increase in import share of domestic market threshold in 1 year	Number of petitions certified, 2003-2005
1	2273	Carpets and rugs		12
2	2435	Hardwood veneer and plywood	X	16
3	2493	Reconstituted wood products	X	15
4	2521	Wood office furniture		13
5	2522	Office furniture, except wood		9
6	2591	Drapery hardware and window blinds and shades	X	8
7	2655	Fiber cans, tubes, drums, and similar products		6
8	2673	Plastics, foil, and coated paper bags		5
9	2678	Stationery, tablets, and related products	X	11
10	2732	Book printing		8
11	2821	Plastics materials, synthetic and resins, and nonvulcanizable elastomers		33
12	2822	Synthetic rubber	X	9
13	2824	Manmade organic fibers, except cellulosic		7
14	2842	Specialty cleaning, polishing, and sanitation preparations		3
15	2874	Phosphatic fertilizers	X	3
16	2879	Pesticides and agricultural chemicals, not elsewhere classified		4
17	2891	Adhesives and sealants		9
18	3011	Tires and inner tubes		12
19	3052	Rubber and plastics hose and belting		11
20	3053	Gaskets, packing, and sealing devices		19
21	3081	Unsupported plastics film and sheet	X	10
22	3085	Plastics bottles		4
23	3143	Men's footwear, except athletic		10
24	3149	Footwear, except rubber, not elsewhere classified		4
25	3161	Luggage		7
26	3229	Pressed and blown glass and glassware, not elsewhere classified		13
27	3231	Glass products made of purchased glass		9
28	3253	Ceramic wall and floor tile		7

**Appendix III: Industries with Three Petitions
Certified in 180 Days, 2003 to 2005**

#	SIC code	Industry	Met 15% increase in import share of domestic market threshold in 1 year	Number of petitions certified, 2003-2005
29	3261	Vitreous china plumbing fixtures and china and earthenware fittings and bathroom accessories	X	8
30	3264	Porcelain electrical supplies		14
31	3334	Primary production of aluminum		6
32	3339	Primary smelting and refining of nonferrous metals, except copper and aluminum	X	8
33	3425	Saw blades and handsaws		9
34	3431	Enameled iron and metal sanitary ware		11
35	3465	Automotive stampings		19
36	3491	Industrial valves	X	12
37	3511	Steam, gas, and hydraulic turbines, and turbine generator set units	X	5
38	3532	Mining machinery and equipment, except oil and gas field machinery and equipment		5
39	3541	Machine tools, metal cutting types		10
40	3542	Machine tools, metal forming type		13
41	3543	Industrial patterns		3
42	3544	Special dies and tools, die sets, jigs and fixtures, and industrial molds	X	56
43	3546	Power-driven handtools	X	16
44	3552	Textile machinery		9
45	3554	Paper industries machinery		9
46	3555	Printing trades machinery and equipment		6
47	3562	Ball and roller bearings		11
48	3563	Air and gas compressors		10
49	3564	Industrial and commercial fans and blowers and air purification equipment	X	10
50	3566	Speed changers, industrial high-speed drives, and gears		5
51	3571	Electronic computers	X	17
52	3613	Switchgear and switchboard apparatus	X	15
53	3625	Relays and industrial controls	X	20
54	3632	Household refrigerators and home and farm freezers	X	9
55	3641	Electric lamp bulbs and tubes		8
56	3643	Current-carrying wiring devices		28
57	3669	Communications equipment, not elsewhere classified	X	14
58	3671	Electron tubes	X	17
59	3672	Printed circuit boards		81
60	3674	Semiconductors and related devices		78

**Appendix III: Industries with Three Petitions
Certified in 180 Days, 2003 to 2005**

#	SIC code	Industry	Met 15% increase in import share of domestic market threshold in 1 year	Number of petitions certified, 2003-2005
61	3675	Electronic capacitors	X	16
62	3676	Electronic resistors		7
63	3677	Electronic coils, transformers, and other inductors		7
64	3691	Storage batteries	X	10
65	3822	Automatic controls for regulating residential and commercial environments and appliances	X	10
66	3823	Industrial instruments for measurement, display, and control of process variables; and related products		28
67	3826	Laboratory analytical instruments	X	6
68	3861	Photographic equipment and supplies	X	22
69	3931	Musical instruments		10

Source: GAO analysis of Department of Labor petitions data, Mass Layoff Statistics data, and Census' trade and production data.

Table 6: Industries That Could Not Be Analyzed Due to Data Limitations

#	SIC code	Industry	Number of petitions certified, 2003-2005
70	182	Food crops grown under cover	5
71	912	Finfish	67
72	2064	Candy and other confectionery products	11
73	2092	Prepared fresh or frozen fish and seafoods	17
74	2099	Food preparations, not elsewhere classified	6
75	2211	Broadwoven fabric mills, cotton	100
76	2221	Broadwoven fabric mills, manmade fiber and silk	50
77	2231	Broadwoven fabric mills, wool	34
78	2241	Narrow fabric and other smallware mills: cotton, wool, silk and manmade fiber	42
79	2251	Women's full-length and knee-length hosiery, except socks	24
80	2252	Hosiery, not elsewhere classified	78
81	2253	Knit outerwear mills	26
82	2254	Knit underwear and nightwear mills	5
83	2257	Weft knit fabric mills	25
84	2258	Lace and warp knit fabric mills	23
85	2259	Knitting mills, not elsewhere classified	5
86	2261	Finishers of broadwoven fabrics of cotton	24
87	2269	Finishers of textiles, not elsewhere classified	10
88	2281	Yarn spinning mills	61

**Appendix III: Industries with Three Petitions
Certified in 180 Days, 2003 to 2005**

#	SIC code	Industry	Number of petitions certified, 2003-2005
89	2282	Yarn texturizing, throwing, twisting and winding mills	29
90	2284	Thread mills	12
91	2299	Textile goods, not elsewhere classified	21
92	2311	Men's and boys' suits, coats, and overcoats	7
93	2321	Men's and boys' shirts, except work shirts	50
94	2322	Men's and boys' underwear and nightwear	25
95	2325	Men's and boys' separate trousers and slacks	37
96	2326	Men's and boys' work clothing	28
97	2329	Men's and boys' clothing, not elsewhere classified	33
98	2331	Women's, misses', and juniors' blouses and shirts	53
99	2335	Women's, misses', and juniors' dresses	22
100	2337	Women's, misses', and juniors' suits, skirts, and coats	24
101	2339	Women's, misses', and juniors' outerwear, not elsewhere classified	58
102	2341	Women's, misses', children's, and infants' underwear and nightwear	30
103	2353	Hats, caps, and millinery	14
104	2361	Girls', children's, and infants' dresses, blouses, and shirts	10
105	2369	Girls', children's, and infants' outerwear, not elsewhere classified	12
106	2381	Dress and work gloves, except knit and all-leather	8
107	2391	Curtains and draperies	15
108	2392	Housefurnishings, except curtains and draperies	88
109	2393	Textile bags	10
110	2395	Pleating, decorative and novelty stitching, and tucking for the trade	7
111	2396	Automotive trimmings, apparel findings, and related products	11
112	2399	Fabricated textile products, not elsewhere classified	12
113	2411	Logging	6
114	2421	Sawmills and planing mills, general	33
115	2426	Hardwood dimension and flooring mills	28
116	2431	Millwork	16
117	2499	Wood products, not elsewhere classified	40
118	2511	Wood household furniture, except upholstered	124
119	2512	Wood household furniture, upholstered	37
120	2514	Metal household furniture	20
121	2531	Public building and related furniture	7
122	2541	Wood office and store fixtures, partitions, shelving, and lockers	11
123	2621	Paper mills	35
124	2671	Packaging paper and plastics film, coated and laminated	10

**Appendix III: Industries with Three Petitions
Certified in 180 Days, 2003 to 2005**

#	SIC code	Industry	Number of petitions certified, 2003-2005
125	2672	Coated and laminated paper, not elsewhere classified	14
126	2679	Converted paper and paperboard products, not elsewhere classified	12
127	2759	Commercial printing, not elsewhere classified	13
128	2782	Blankbooks, looseleaf binders and devices	8
129	2819	Industrial inorganic chemicals, not elsewhere classified	27
130	2834	Pharmaceutical preparations	9
131	2844	Perfumes, cosmetics, and other toilet preparations	7
132	2851	Paints, varnishes, lacquers, enamels and allied products	13
133	2865	Cyclic organic crudes and intermediates, and organic dyes and pigments	14
134	2869	Industrial organic chemicals, not elsewhere classified	15
135	2899	Chemicals and chemical preparations, not elsewhere classified	11
136	3061	Molded, extruded, and lathe-cut mechanical rubber goods	13
137	3069	Fabricated rubber products, not elsewhere classified	41
138	3083	Laminated plastics plate, sheet, and profile shapes	15
139	3089	Plastics products, not elsewhere classified	76
140	3111	Leather tanning and finishing	13
141	3151	Leather gloves and mittens	3
142	3291	Abrasive products	4
143	3292	Asbestos products	5
144	3295	Minerals and earths, ground or otherwise treated	7
145	3312	Steel works, blast furnaces	74
146	3315	Steel wiredrawing and steel nails and spikes	9
147	3316	Cold-rolled steel sheet, strip, and bars	3
148	3317	Steel pipe and tubes	10
149	3321	Gray and ductile iron foundries	20
150	3325	Steel foundries, not elsewhere classified	11
151	3341	Secondary smelting and refining of nonferrous metals	5
152	3356	Rolling, drawing, and extruding of nonferrous metals, except copper and aluminum	6
153	3357	Drawing and insulating of nonferrous wire	28
154	3364	Nonferrous die-castings, except aluminum	11
155	3365	Aluminum foundries	12
156	3423	Hand and edge tools, except machine tools and handsaws	22
157	3429	Hardware, not elsewhere classified	30
158	3432	Plumbing fixture fittings and trim	13
159	3433	Heating equipment, except electric and warm air furnaces	5
160	3441	Fabricated structural metal	10

**Appendix III: Industries with Three Petitions
Certified in 180 Days, 2003 to 2005**

#	SIC code	Industry	Number of petitions certified, 2003-2005
161	3443	Fabricated plate work	16
162	3444	Sheet metal work	17
163	3452	Bolts, nuts, screws, rivets, and washers	10
164	3462	Iron and steel forgings	11
165	3469	Metal stampings, not elsewhere classified	34
166	3479	Coating, engraving, and allied services, not elsewhere classified	7
167	3492	Fluid power valves and hose fittings	19
168	3496	Miscellaneous fabricated wire products	27
169	3499	Fabricated metal products, not elsewhere classified	29
170	3523	Farm machinery and equipment	5
171	3524	Lawn and garden tractors and home lawn and garden equipment	9
172	3531	Construction machinery and equipment	9
173	3537	Industrial trucks, tractors, trailers, and stackers	8
174	3545	Cutting tools, machine tool accessories, and machinist precision measuring devices	17
175	3548	Electric and gas welding and soldering equipment	6
176	3549	Metalworking machinery, not elsewhere classified	6
177	3559	Special industry machinery, not elsewhere classified	15
178	3561	Pumps and pumping equipment	8
179	3569	General industrial machinery and equipment, not elsewhere classified	9
180	3575	Computer terminals	4
181	3577	Computer peripheral equipment, not elsewhere classified	26
182	3585	Air-conditioning and warm air heating equipment and commercial and industrial refrigeration equipment	35
183	3592	Carburetors, pistons, piston rings, and valves	11
184	3599	Industrial and commercial machinery and equipment, not elsewhere classified	6
185	3612	Power, distribution, and specialty transformers	18
186	3621	Motors and generators	36
187	3629	Electrical industrial apparatus, not elsewhere classified	9
188	3634	Electric housewares and fans	24
189	3644	Noncurrent-carrying wiring devices	8
190	3645	Residential electric lighting fixtures	18
191	3646	Commercial, industrial, and institutional electric lighting fixtures	6
192	3648	Lighting equipment, not elsewhere classified	7
193	3651	Household audio and video equipment	24
194	3661	Telephone and telegraph apparatus	20
195	3663	Radio and television broadcasting and communications equipment	38
196	3679	Electronic components, not elsewhere classified	84

**Appendix III: Industries with Three Petitions
Certified in 180 Days, 2003 to 2005**

#	SIC code	Industry	Number of petitions certified, 2003-2005
197	3694	Electrical equipment for internal combustion engines	21
198	3695	Magnetic and optical recording media	8
199	3699	Electrical machinery, equipment, and supplies, not elsewhere classified	7
200	3711	Motor vehicles and passenger car bodies	9
201	3713	Truck and bus bodies	5
202	3714	Motor vehicle parts and accessories	200
203	3721	Aircraft	10
204	3724	Aircraft engines and engine parts	6
205	3728	Aircraft parts and auxiliary equipment, not elsewhere classified	13
206	3751	Motorcycles, bicycles, and parts	6
207	3824	Totalizing fluid meters and counting devices	6
208	3825	Instruments for measuring and testing of electricity and electrical signals	56
209	3829	Measuring and controlling devices, not elsewhere classified	14
210	3841	Surgical and medical instruments and apparatus	36
211	3842	Orthopedic, prosthetic, and surgical appliances and supplies	48
212	3845	Electromedical and electrotherapeutic apparatus	5
213	3911	Jewelry, precious metal	6
214	3914	Silverware, plated ware, and stainless steel ware	9
215	3944	Games, toys, and children's vehicles, except dolls and bicycles	10
216	3949	Sporting and athletic goods, not elsewhere classified	38
217	3952	Lead pencils and art goods	6
218	3991	Brooms and brushes	5
219	3999	Manufacturing industries, not elsewhere classified	26
220	7389	Business services, not elsewhere classified	22
221	8711	Engineering services	4
222	8741	Management services	10

Source: GAO analysis of Department of Labor petitions data, Mass Layoff Statistics data, and Census' trade and production data.

Appendix IV: Additional Analysis of the 69 Industries

To assess the sensitivity of the criteria to changes in the trade threshold, we analyzed the 69 industries for which we had complete data using a range of thresholds. We found that more stringent criteria sometimes resulted in appreciable differences in the number of workers eligible for TAA in those industries. For example, if to be certified, an industry not only had to have a 10 percent increase in the import share of the domestic market in 1 year but also had an increase in the import share during the 2 other years between 2003 and 2005, we estimated that there would have been a 24 percent increase in the number of workers eligible for TAA in the 69 industries we analyzed (see table 7). Because the 69 industries for which we had comprehensive data were not selected randomly, the results cannot be generalized to the entire group of 222 industries that met the three petitions certified in 180 days criteria nor are they predictive of future levels of eligible workers.

Table 7: Estimated Increase in the Number of Eligible Workers in 69 Industries under Various Criteria, 2003 to 2005

Additional Criteria for Industry Certification	Estimated percent increase
10 percent increase in the import share of the domestic market in 1 year and increases in 2 other years	24
15 percent increase in the import share of the domestic market in 1 year and increases in 2 other years	9
20 percent increase in the import share of the domestic market in 1 year and increases in 2 other years	7
10 percent in the import share of the domestic market in 1 year or increases of any size in 3 consecutive years	97
15 percent in the import share of the domestic market in 1 year or increases of any size in 3 consecutive years	82
20 percent in the import share of the domestic market in 1 year or increases of any size in 3 consecutive years	76

Source: GAO analysis of Department of Labor petitions data, Extended Mass Layoff Statistics data, and Census' trade and production data.

Appendix V: GAO Contacts and Staff Acknowledgments

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