



Committee On Finance

Max Baucus, Ranking Member

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**Remarks of U.S. Senator Max Baucus (D-Mont.)
at the Second Annual Trade Adjustment Assistance Coalition Luncheon
“Trade Adjustment Assistance for a 21st Century Workforce”**

International trade generates enormous benefits for America’s economy. Trade in goods and services accounts for more than a fifth of our economic growth since 1950. On average, each American household receives about \$9,000 in extra income through the higher-paid jobs and lower-priced consumer goods that trade makes possible.

But trade also creates challenges. Trade forces U.S. workers to compete on a global scale. But we should not ask them to do it alone. And that is where Trade Adjustment Assistance can make a difference.

THE PROMISE OF THE TRADE ACT OF 2002 UNFULFILLED

As Chairman of the Senate Finance Committee, I shepherded through the Congress the most expansive reform of the TAA program since it was created over forty years ago. The Trade Act of 2002 updated TAA, expanded coverage, and made more workers than ever before eligible for the program. We created a new health care tax credit and instituted the first federal wage insurance program for American workers.

I had high hopes for these reforms. And I still do. But our experience so far has been disappointing. The GAO report being released today supports the anecdotal evidence we have heard for years about problems in administering the TAA program. Instead of embracing TAA, the administration seems to implement TAA in ways calculated to minimize enrollment. It has failed to explain or encourage the use of the health care tax credit, and it has failed to publicize the existence of the wage insurance program.

I think this is shortsighted, at best. Popular support for trade liberalization depends upon helping those left behind by trade. Polls have repeatedly shown that an overwhelming majority of Americans favor free trade, if the United States provides meaningful retraining and adjustment for those whom trade leaves behind. Workers must know that they do not face the abyss if they are on the losing side of global competition. Without a safety net to support and retrain workers subject to the harsh vagaries of the global market, popular resistance to trade liberalization will continue to grow.

The 21st century promises even greater challenges to our economy from abroad. An important part of meeting those challenges is to make TAA more accessible to effected American workers.

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MEETING THE COMPETITIVE CHALLENGE OF THE 21ST CENTURY

Recently, I took a delegation of Montanans to China and India to assess the challenges and opportunities that these two countries present to the American economy. We learned that China and India are betting on their futures. They both dedicate tremendous resources towards educating their youth. They both work at training their workforce.

If we hope to meet the challenge posed by China and India, we must do the same. Globalization is making workers' skills obsolete sooner. Technologies are evolving at a faster rate. Competition is forcing us to change our way of doing business. To respond effectively, our workforce must have access to efficient adjustment and retraining benefits.

So far this Congress, I have introduced four bills to enhance nearly every aspect of the TAA program, extending more benefits to more workers. Let me highlight a few of the innovations that I believe we need to adopt to bring TAA truly into the 21st century.

EQUITY FOR SERVICE WORKERS

At the dawn of the 20th century, nearly 70 percent of the American labor force was concentrated in agriculture and manufacturing. Today, we manufacture far more products and grow far more food with far fewer people. Less than 20 percent of the labor force works in manufacturing. And less than three percent still farm and ranch.

The rest work in the services sector. But they are not covered by TAA. That's because when TAA was first implemented in 1962, only manufacturing workers faced global competition.

The American economy has changed since then. From customer call centers to tax preparation, information and services workers are facing competition from abroad.

Our failure to update TAA to include service workers is leading to seemingly arbitrary results. Take the cases of two layoffs in Montana. When the Columbia Falls Aluminum plant laid off nearly 200 employees in 2003 due to rising imports from Canada, those manufacturing workers qualified for extended income support and training through TAA. But when a Kalispell call center left for Canada around the same time, taking 400 jobs with it, those service workers did not get Trade Adjustment Assistance. They should have.

So this Congress, as I did last Congress, I have introduced a bill to extend TAA eligibility to service workers. The Congressional Budget Office estimates the cost of covering service workers from 2006 through 2010 at \$1.4 billion dollars. That comes to less than three dollars a year per American household. When weighed against the thousands of dollars the average American household benefits from open trade each year, three dollars is a small price to pay.

COVERING ALL SHIFTS IN PRODUCTION

In the Trade Act of 2002, we extended coverage to more workers than ever before. We covered downstream workers, farmers, fisherman, and workers whose firms move to countries with which the United States has a free trade agreement. As a result, enrollment has more than doubled.

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But experience has shown that limiting benefits to shifts in production to FTA partner countries is unnecessarily restrictive. A worker whose job moves to China or India is no better equipped to re-enter the workforce than a worker whose job is lost to Canada or Mexico. My TAA Improvement Act would eliminate the FTA partner country requirement and extend TAA to all workers who lose their jobs due to shifts in production.

INVESTING IN SMALL AND MEDIUM-SIZED BUSINESSES

TAA for Firms provides small and medium-sized businesses affected by foreign imports the opportunity to recapture their competitive edge before they are forced to close their doors and lay off all their workers. TAA for Firms advisors help struggling companies to apply for federal matching grants to retool their businesses to compete more effectively. Together, they devise and execute new business plans, develop new products, and implement new marketing strategies.

Pyramid Mountain Lumber Company in Seeley Lake, Montana, employs 155 workers. The TAA for Firms program is helping Pyramid Mountain to improve its mill efficiency and train its employees in new techniques to help it compete. Now the company is poised to install an optimized small log mill.

Every year I have to fight just to get the TAA for Firms program fully funded — at just \$16 million dollars. Once again, the President's budget this year proposes underfunding the program. That is the wrong approach for a program so vital to America's struggling small businesses. We need to make a meaningful investment in our small and medium-sized businesses to maintain America's competitive edge.

HEALTH CARE FOR TRADE-DISPLACED WORKERS

Losing health coverage can be as devastating to many workers as losing a job. The Trade Act of 2002 added a 65 percent tax credit to help retirees and displaced workers eligible for TAA to pay for health coverage. The TAA health care tax credit is a great idea. But I have been deeply disappointed by its effect so far.

In its first two years, only six percent of the hundreds of thousands of eligible workers and retirees took advantage of the health care tax credit. At five major plant closings in 2003 and 2004, only three to 12 percent of those eligible enrolled.

Why? One major reason is the administration's failure to take a more proactive role in letting TAA applicants know that they could be eligible to get the tax credit.

The administration appears to be delegating its responsibilities to let workers know about this to the states. But this is a federal benefit. The Administration is shirking its job here. And that's not right.

Today's GAO report examined five layoffs. At four of the five layoffs, most workers did not know about the benefit at all. That is simply unacceptable. A third of workers who were told about the benefit decided not to enroll, because it was too confusing.

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Many workers don't sign up because of high costs. For instance, a worker in Mississippi in an average-cost family plan would have to spend about 40 percent of his monthly unemployment insurance benefit to get health coverage using the TAA credit.

TAA-eligible health plans can also be far more expensive — sometimes five times as expensive — as an average-cost plan. And workers have to pay the full price of coverage for the first three to six months. Given these substantial costs, most low-income workers just cannot afford to participate.

The TAA healthcare benefit can work. But we need to improve the information that workers and retirees get about the program. We need to create more seamless systems to ensure that they get it. We need to cut down on the red tape. And we need to make this benefit more affordable. That way, we can truly reach the hundreds of thousands whom Congress intended to help when we enacted these reforms four years ago.

WAGE INSURANCE

The average worker who finds a job after being laid off makes only about 80 percent of his former salary. The drop is more precipitous for highly-specialized or tenured workers.

For these workers, the Trade Act of 2002 established the first federal wage insurance program, called "Alternative Trade Adjustment Assistance." Alternative TAA creates an incentive for workers to return to work within 6 months by providing them with a portion of their lost wages. That allows them to learn new skills on the job, while earning wages, rather than just in a classroom.

Alternative TAA holds much promise. Wage insurance is an economically efficient model to retrain workers to compete. It costs nearly half as much as extended employment benefits and retraining through traditional TAA.

But the program has been undermined by a variety of problems. Most importantly, as with the health care tax credit, the administration has failed so thoroughly to publicize its existence that many workers are simply unaware that they are eligible to apply for wage insurance.

The program is also limited to workers aged 50 and older. Younger workers, too, could benefit from the on-the-job training that wage insurance allows. My TAA Improvement Act allows younger workers to choose wage insurance instead of traditional TAA benefits if they feel it suits them better.

These are just a few of the changes that I believe we must make to the TAA program to fulfill its promise to America's workers. As the world changes, we will have to adjust the program to meet our changing needs.

We ask much of our workers. We must give them the means to compete and succeed in the world economy. We should not be afraid to innovate. And we cannot be afraid to make the investment now. The future will be here sooner than we think.

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