

THE TRADE ADJUSTMENT ASSISTANCE REFORM ACT OF 2002: LESSONS FROM THE FIRST TWO YEARS

Senator Max Baucus
October 5, 2004

Thank you, Greg. I am pleased to be here today at the inaugural event of the Trade Adjustment Assistance Coalition. I am honored to serve – along with Senator Coleman – as co-chair of the Board of Advisors.

I want to commend Greg Mastel and Howard Rosen for their dedication to worker retraining, and for starting this worthwhile group. It will provide a much-needed public forum for discussion and debate on the TAA program.

I want to thank everyone who is participating today – Congressman Phil English, Thea Lee, and Sigurd Nilsen. But I particularly want to thank my colleague Norm Coleman. He has been a strong leader during his first two years in the Senate – on TAA and other issues. I enjoy working with him.

The Rationale for Trade Adjustment Assistance

For 42 years, Trade Adjustment Assistance has served a single goal – to retrain trade-impacted workers and give them the skills they need to find new jobs.

The rationale behind TAA is simple. When the Government promotes trade liberalization, that decision has consequences.

Overall, those consequences are positive. Job creation. New export opportunities. Strong rules to level the global playing field, lower prices, and greater choice for consumers.

But there are downsides from trade. And when our national trade policy leads to job losses in one sector, we have a responsibility to help displaced workers get back on their feet. In a world where America's global competitiveness depends on keeping ahead of the technology curve, that means upgrading workers skills.

The TAA Reform Act of 2002

One of my proudest achievements as Chairman of the Finance Committee was passing the Trade Adjustment Assistance Reform Act of 2002. This landmark legislation created innovative new benefits, and expanded eligibility to broad new categories of workers.

After two years, it is time to take stock of how well these reforms are working.

That is why I joined Senator Grassley in requesting the GAO reports you will be hearing more about later in the program.

Frankly, the results are disappointing. Two years ago, we predicted that TAA would enroll tens of thousands of workers under new eligibility provisions for shifts in production and secondary workers. Instead, new enrollment has been small.

We expected the vast majority of TAA participants to use the new health coverage tax credit. So far, fewer than 6 percent of eligible workers have signed up.

We introduced a new wage insurance benefit to help older workers get new jobs faster and cushion their income loss. Only a handful of workers are actually participating.

The Problem

On paper, TAA provides a comprehensive web of benefits to help workers retrain and get back into the workforce. There are places we could tinker with the benefits around the edges. But in general, the package is sound and is rightly called the “gold standard” of federal retraining programs.

We know TAA can work when workers get their benefits in a timely manner.

For example, I heard recently from a group of workers who lost their jobs at Columbia Falls Aluminum in Northwest Montana. Many had been at the plant for more than 20 years. They were using TAA benefits to retrain for a variety of new jobs. They told me TAA is a lifeline and they didn't know where they would be without it.

I was impressed by the dedication of the caseworkers at the Flathead Valley Job Service. They leave no stone unturned to make sure each worker gets the help he needs. I was touched by how hard all these workers are trying – and how seriously they take their training. They want to succeed in their new fields.

But many other deserving workers never make it into the system. So many that the Court of International Trade has issued a string of blistering decisions condemning the Department of Labor for turning down thousands of applicants for no good reason.

Now, I should take a second to note here that the Department of Labor was invited to participate today. They declined – and I frankly think that says a lot about their dedication to this program.

Unequal Commitment

It is time to step back and ask ourselves – what is wrong with this picture?

From my standpoint, the answer is simple: lack of commitment.

The TAA Reform Act was part of a package with Trade Promotion Authority. Our country has made an enormous commitment to trade liberalization. We are negotiating free trade agreements with countries across the globe.

When it comes to trade adjustment, however, that same degree of commitment is sorely lacking.

The GAO reports provide a list of examples:

- Bureaucratic foot-dragging has deprived older workers of wage insurance benefits Congress intended them to have.
- There has been no effort to find and help secondary workers after Congress made them eligible for TAA.
- The Labor Department undercounts the number of workers who successfully find new jobs – setting up this program to look like a failure.
- The administration is encouraging states to steer workers away from training in order to cut costs.
- And finally, signing up for the health care tax credit is so cumbersome and expensive most workers are turning down a 65% subsidy.

If USTR negotiated a free trade agreement that reduced tariffs on only half of U.S. exports – or protected patents and trademarks only part of the time – we would all call it unacceptable. Business and Congress would be outraged.

But we accept half measures on TAA every day.

The TAA Reform Act was a promise to America's workers. A promise not to pursue the benefits of trade without helping those who experience its down side. As a Government, and as a society, we are not doing a very good job keeping our promise.

Next Steps

We must do better.

The longest to-do list is clearly for the Executive branch. But there are contributions for Congress and the private sector to make as well.

First, we must make sure eligibility criteria are interpreted broadly, as Congress and the courts have instructed the Labor Department to do. Rules should not be applied like traps designed to keep workers from qualifying.

Second, we need to promote training and pursue adequate funding for it. When we expanded TAA eligibility, many of us fought against the administration and those who opposed TAA for better funding for training.

Not surprisingly, states now face shortfalls. But encouraging workers not to pursue training – as the Labor Department proposes – is counterproductive.

Third, we should eliminate eligibility tests that serve only to limit participation in areas like shifts in production, wage insurance, and the health coverage tax credit.

Fourth, the whole TAA program needs to be more transparent. I urge the Department of Labor to make public its data on program participation and outcomes – data they now treat as heavily guarded secrets. And they should bring their web site into the 21st century by making TAA decisions full-text searchable. The current system is so antiquated it acts as a barrier to successful petitions.

Fifth, we should extend TAA to service workers, as Senator Coleman and I tried to do earlier this year.

In 2003, about the same time as the Columbia Falls layoffs in Northwest Montana, a nearby call center sent over a thousand jobs overseas. State officials did their best, but they simply couldn't do for the call center workers what TAA allowed them to do for the manufacturing workers.

All those workers live in the same small community. All their job losses were related to trade. Try explaining to them why their stories turn out differently. It's not fair. And it's not good policy.

Earlier this year, the Business Round Table and the Information Technology Industry Council expressed support for the idea of extending TAA to cover service workers. Yet the administration failed to support the amendment offered by Senators Coleman and Wyden to make this happen.

Finally, we must adequately fund the TAA for Firms program, which helps small and medium-sized businesses become more competitive internationally so they can save and create jobs. Some of my colleagues in the Senate propose to cut funding to half the level we fought for in the TAA Reform Act. We must reverse this trend and fully fund this important program through the appropriations process.

Conclusion

Every day, business leaders tell me they need more well-educated and trained workers in this country. TAA helps meet that need. It is our best program for helping American workers to upgrade their skills to the levels our employers demand.

At a time when we are worried about American jobs moving overseas, we shortchange this effort at our peril. If we do not raise the educational level of our workforce, America's long-term competitiveness is at risk.

TAA builds a better workforce. It helps compensate workers who bear the downside of our trade policy. And it builds public and Congressional support for continued trade liberalization.

For a program that can and does mean so much, half-hearted measures are just not acceptable. It is time to show that trade promotion and trade adjustment merit equal commitment.