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PROMOTING U.S. WORKER COMPETITIVENESS IN A GLOBALIZED ECONOMY

HEARING

BEFORE THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

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PROMOTING U.S. WORKER COMPETITIVENESS IN A GLOBALIZED ECONOMY

THURSDAY, JUNE 14, 2007

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC.

The Committee met, pursuant to notice, at 10:00 a.m., in room 1100, Longworth House Office Building, Hon. Charles B. Rangel (Chairman of the Committee), presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE
June 14, 2007
FC–13

CONTACT: (202) 225–3625

Rangel Announces Hearing on Promoting U.S. Worker Competitiveness in a Globalized Economy

House Ways and Means Chairman Charles B. Rangel (D–NY) today announced the first in a series of hearings on promoting U.S. workers' competitiveness in a globalized economy. This hearing will focus on the Trade Adjustment Assistance (TAA) program. **The hearing will take place on Thursday, June 14, 2007, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at the hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

The Trade Expansion Act of 1962 (P.L. 87–794) created the Trade Adjustment Assistance (TAA) Program to assist workers laid-off as a result of international trade. The main benefits of the program are extended income support and training. The program has traditionally applied to trade dislocated manufacturing sector workers. Firms also are included in the program, and coverage for farmers was added in 2002.

Congress has amended the TAA program several times since its inception. In 1974, Congress eased program eligibility requirements. In 1988, Congress inserted a requirement that workers be in training in order to qualify for income support. In 1993, Congress created a separate NAFTA Trade Adjustment Assistance program (NAFTA–TAA).

The most recent reform of the TAA program—the TAA Reform Act of 2002 (P.L. 107–210)—consolidated the former TAA and NAFTA–TAA programs into a single program, doubled training funds, and expanded program eligibility. The 2002 Act also extended TAA benefits to secondary workers, established a pilot program that provided for an alternative form of TAA for older workers (*i.e.*, a limited wage insurance benefit), and added a new benefit, the health coverage tax credit (HCTC), to help trade dislocated workers maintain health insurance while in training. However, fewer TAA eligible workers than expected are receiving the additional benefits added in 2002.

In announcing the hearing, Chairman Rangel said, **"Overhauling the current TAA is a critical initial step in ensuring we have a 21**στ century workforce. We owe it to our workers, communities, and industries to have a plan in place that will help them succeed in a globally competitive environment. We need a strategic initiative that includes enhanced education and training opportunities, as well as improvements to the portability of benefits, and I look forward to hearing my colleagues' ideas as we draft and implement a new worker competitiveness policy for America."

FOCUS OF THE HEARING:

The Trade Adjustment Assistance (TAA) program is designed to help workers displaced by trade to adjust and better compete in the global economy. The TAA program will expire on September 30, 2007, unless legislative action is taken to reauthorize the program.

The hearing will focus on the operational effectiveness of the current TAA program for workers, including changes made to the program in 2002. The hearing will also address ideas for further reforms to the program, including proposals to expand TAA coverage to workers excluded from the program, such as some service sector workers, improving access to training, reducing the costs and complexity of the health coverage tax credit, and improving participation in the Alternative TAA "Wage Insurance" program for older workers.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit a statement for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, *http://waysandmeans.house.gov*, select "*110th Congress*" from the menu entitled, "*Committee Hearings*" (*http://waysandmeans.house.gov/Hearings.asp?congress=18*). Select the hearing for which you would like to submit a statement, and click on the link entitled, "*Click here to provide a submission for the record*." Once you have followed the online instructions, completing all informational forms and clicking "submit" on the final page, an email will be sent to the address that you supply confirming your interest in providing a submission for the record. You ***MUST REPLY*** to the email and ***ATTACH*** your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business **Thursday, June 28, 2007**. **Finally**, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. If you have questions, or if you encounter technical problems, please call (202) 225–1721.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at *http://waysandmeans.house.gov*.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman RANGEL. This Committee will come to order. First, just for a little housekeeping, the staff under my suggestion, had the Administration testifying last without the courtesy of having them to lead off. I apologize for not explaining the reason for it to

the Republican leader as well as to my colleagues. The reason for this is that Mr. Thomas at one point in time at the end of the last session did it with the explanation that it gives the Administration to hear what the problems are and puts us in a better position to hear the response. Now comes the question should they have to stay all day listening? Well, I don't know because if they don't stay all day to listen, then they won't hear what the problems are or offer us solutions as to what can be done about it. In any event, I intend to sit with the Members to see how we can do it with the utmost amount of courtesy to the Administration and to accommodate the majority and the Members of the Committee. So, I just wanted to say that because staff has been receiving complaints and I can understand why.

This Committee has the responsibility to try to be of some assistance to workers that have been adversely affected as a result of trade. It is my understanding that neither Democratic administrations nor Republican administrations really believe that these programs have been effective. In any event, as a result of working very closely with Jim McCrery and Wally and Sandy, we think we have been persuasive with the Administration and the U.S. Trade Representative that we all are going to have to do more to make trade not look as something that is totally detrimental to American workers and American industries in many communities. Certainly, how we treat the workers and the industries and the towns that have been negatively impacted as a result of trade is very important for the country, for trade, and for our multi-nationals.

But, as we pointed out, we have to go even beyond that. Even if it is not related directly to trade, we have a responsibility as a country to help those people economically so they can get on their feet, become productive and pay taxes. So, this concept is going to go far beyond TAA as we know it. Most of us believe it is broken and with this pay-go provision, we are only going to try today to fix it as much as we can. But this Committee will be going on retreat to see how we can play some role as we see the Federal Government and the private sector moving toward training and education and productivity to make certain that when it comes to this situation being created by trade, that we do a much better job than that was intended and that we just accept the fact that this program has not received help from Democrats or Republicans and therefore we have got to do the best we can with what we have got to work with. Sandy Levin has worked very closely with the concept and feels a lot of pain with the reality, and I will ask him to make some statements. Let me yield to the Ranking Member on the subject and then I would like to hear from Sandy Levin.

Mr. MCCRERY. Thank you, Mr. Chairman and thank you for convening this first in a series of hearings entitled, "Promoting United States Workers' Competitiveness in a Globalized economy." I appreciate and agree with your broad focus for this series of hearings. Such a broad focus is critically important I think to helping all dislocated workers in our country, not just the few who lose their jobs due to trade.

When you come right down to it, our economy sees changes not only from trade but also from technology, productivity, and demographics. In fact, the Council of Economic Advisors estimates that

fewer than 3 percent of long-term job losses are due to trade. When we speak of expanding our trading relationships through trade promotion authority and free trade agreements, we must not lose sight of addressing the needs of all Americans who lose their jobs, whether as a result of trade or other factors.

By the same token, globalization and its effects are realities that we cannot control. Seeking to isolate our country from globalization, either by passing protectionist measures or by simply not pursuing trade agreements, will not slow or stop globalization. We have to stay in the game. We have to stay in the game just to keep up. Keeping up though has never been enough for our country. We must strive.

As we debate trade promotion authority, which expires in less than 3 months, our major trading partners in other countries are actively pursuing and negotiating free trade agreements without us. I am afraid we will see far more worker dislocation if we are not at the negotiating table, actively creating market access opportunities for United States' interests.

At this first hearing, we will hear about the Trade Adjustment Assistance for Workers Program and various perspectives on how it is working and how it could be improved. TAA has been successful in helping many adjust after job loss due to trade, and we think it can be improved in some ways. But TAA is only one tool in our toolbox of unemployment benefits, health care assistance and education and training programs for addressing the effects of globalization and change. So, we should also consider the needs of all workers who lose their jobs, regardless of the cause of that job loss, including due to a change in global and United States economies. This will require reviewing the many decades old Federal programs, including TAA, that today seek to assist and re-train dislocated workers. We will need to consider how they can be modernized, better integrated and made more efficient and flexible to meet the diverse needs of our workforce in today's economy. We owe it to all of our hardworking fellow Americans, and especially those who lose jobs due to forces at play in our increasingly global economy to help them get the necessary skills and assistance they need to adapt and return to good jobs quickly. In the long run, that type of reform is critical for the American workforce to remain the best and most productive in the world.

So, Mr. Chairman, I look forward to continuing to work with you to address these needs of our workforce and our country.

Chairman RANGEL. Thank you. Mr. Levin?

Mr. LEVIN. Thank you very much, Mr. Chairman. Our Committee has jurisdiction over trade policy and also over assistance to those who are dislocated because of the forces of globalization. I will resist the temptation to talk about trade policy; it is not in front of us today. I do want to say though the issue is not simply what authority we have, either the President or this Congress, but what we do with that authority and whether we shape trade agreements so we spread its benefits or not. That has been a major issue within this Committee, within the Congress and within this country and the world because too many people feel that they have been left out of the benefits of expanded trade and globalization. The

majority here is determined to shape trade policies so that we expand its benefits. I will leave it at that.

Now, it is a distinct, though related, issue as to what we do about those who are dislocated. I don't think the figure 3 percent is accurate if you look at the overall impact of globalization and trade policy is part of it. The fact remains we have lost millions of jobs in this country in manufacturing and now this dislocation is spreading to the service industry. The role the trade agreements play, we will debate another time, but clearly we need to have policies that relate to those people who are dislocated. I asked the staff to remind me when is the last time we had a hearing on TAA. No one can remember and I cannot remember. There has been a lack of oversight and a lack of action. Despite the fact that we have a TAA with a formula that so many states—I think last year was nine states—did not have adequate funds to implement TAA. We have a formula that gives money to states that don't need the money. We have a TAA program that doesn't cover service workers at all except for a small fraction of them that are now held to be covered because of a court decision. We have a TAA—and there has been no oversight or action—that is so complicated that it is difficult for many workers who otherwise would be eligible to receive those benefits. There has been a lack of oversight and action even though only a fraction of those who are eligible for TAA are able to access the health benefits that this Congress some years ago put together.

So, there are some real problems here. Our Chairman indicated that the hearing was set up so that the people who are charged with administering the program can hear people come forth from the states and individuals, as well as distinguished like Congressman Smith, and talk about what the problems are and how we need to change it. So, this is a vital hearing in terms of TAA. It is in need of a complete overhaul and today, as has been mentioned, is the beginning of a process to better equip U.S. workers, businesses, and, as you said, Mr. Chairman, communities to have programs to re-tool and re-train our workers for this future of globalization.

Thank you, Mr. Chairman.

Chairman RANGEL. Thank you. I would like to recognize that Mr. Herger, who really played a vital role in getting this broad policy to be accepted by the U.S. Trade Representative. Thank you, Wally.

Mr. HERGER. Thank you very much, Mr. Chairman. As Congress considers new trade agreements and the renewal of trade promotion authority, we must remember that the benefits of trade are diffused and spread across our entire economy, lowering prices for consumers, offering access to a wider array of products and creating a robust economy with an enviable unemployment rate of only 4.5 percent. At the same time, the costs can be acute, affecting some workers on the individual level. Losing a job is one of the most disruptive events that can occur to a worker and family. Our first priority should be to help individuals who are displaced for whatever reason get back to work as quickly as possible.

Trade Adjustment Assistance is one of the many tools we have to balance economic gains from trade with the costs. TAA offers

generous benefits for manufacturing workers, including cash benefits, job training, a refundable health coverage tax credit and even an alternative TAA Wage Insurance program available to workers ages 50 and older.

But with all these benefits, TAA is very costly to American taxpayers. On average only 54,000 workers receive training and benefits per year at a cost of $18,000 per worker. To me, TAA's annual cost of nearly $1 billion means that any expansion must be done in a cost conscious manner, focusing on actual results, particularly because less than 3 percent of long-term job loss is due to trade. Simply put, we should remember that there are many more significant reasons for job losses in our economy, including improvements in technology, domestic competitive pressures, and improved productivity.

In light of this, we must consider what TAA can do, and just importantly, what it cannot. TAA can be a valuable tool for getting people re-trained and back to work closely, providing income support in the interim. However, it alone cannot create jobs. It has been most successful when combined with vigorous public/private efforts to stimulate a healthy environment for jobs. I have witnessed firsthand one such meaningful application of TAA in Campbellsville, Kentucky when I traveled in 2004 to the district of my colleague, Congressman Ron Lewis. After a Fruit of the Loom factory, which had been the largest source of jobs in the town, shut its doors in the late nineties, local leaders, business, educators and Federal officials pulled together to create new jobs that offered better wages and a better way of life. Nearby Campbellsville University provided the training, even absorbing some extra costs. Business and government leaders created an action plan to attract new business with focus on international companies to invest and insource to the community through such policies as improving local infrastructure. This winning combination improved the local economy well beyond where it had started.

Ideas to improve the TAA program for workers include administrative changes suggested by the GAO and the Department of Labor to facilitate certification of workers and better allocate training funds as well as statutory changes like expanding the program to include services workers. Covering services workers comes with a hefty price tag, estimated to be about $3 billion. But as we talk about expanding the program, we should make sure that we avoid creating duplicative programs and an unwieldy web of new bureaucracies. TAA is only one tool in our policy arsenal to deal with unemployment, and we also should consider practical, responsible, fiscally sound comprehensive and effective ways to help more Americans re-enter the workforce as quickly as possible.

Thank you, Mr. Chairman.

Chairman RANGEL. Thank you. The record will remain open for any member that would like to have an opening statement. We will start this morning and welcome Adam Smith from the great state of Washington to share with us the work that he has been doing for a number of years to improve the trade assistance program. We look forward to hearing from you.

STATEMENT OF THE HONORABLE ADAM SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. SMITH. Thank you very much, Mr. Chairman, I appreciate it. First of all, I want to thank the Chairman for his leadership on this issue and his leadership on the broader economic issues of creating opportunity for our workers on trade, on training, on a number of issues. In just a few short months, you have really stepped up and started to examine this issue in a way that is very helpful and I appreciate that greatly. I also want to thank the Chairman and the Committee for welcoming Marcus Courtney from my home state of Washington, who has done a lot of work on behalf of displaced workers. He is a member of the Communications Workers Association and also form wash tack employees, the help workers, looking for new training to get new jobs. So, I appreciate the fact that you have invited Marcus here to testify and look forward to hearing his words as well.

First of all, TAA is part of the broader issue of trying to help workers deal with the new economy, and I actually agree with some of the comments from the Ranking Member and others that it is not about blaming trade, it is about helping workers. To the extent we analyze this from the standpoint of is trade costing jobs or adding jobs, that misses the point. The point is the way the economy has changed, a thousand different ways, as created challenges for workers that did not exist before and that our country, our government has not responded to sufficiently to help workers.

I always draw the contrast, I guess all politics is personal as much as local, with my father, who got a high school education, basically bummed around for seven or 8 years after that and then found a job here in D.C. actually with Capital Airlines. Capital Airlines was bought by United Airlines and my father was set. He had a good job with a good company that was going to pay him, give him a pension, give him health care, and his job really didn't change that much—he was a ramp serviceman—in the 32 years that he did it. He was not worrying about re-training, he was not worrying about United Airlines getting bought out or downsizing. He had his job and he went forward.

That is not the world we live in today. Workers will change jobs, in all likelihood the skills that they have will have to be updated for them to keep the job they have, and how is our economy structured to help them? It really has not changed. It is still structured on the premise that your average low and middle income workers will get a job for a company that is going to be there forever. In fact, back when United Airlines was in bankruptcy for three or 4 years, this story had even more resonance, to let people know that things are not as secure as they used to be. We have to step up and help workers make that transition, whether that transition is caused by trade, technology, globalization, intense competition, whatever, they need more help to make that transition to a new set of skills. Help that they are not getting right now.

Trade Adjustment Assistance is an important piece of it but, as has been discussed, it needs to be updated in a number of ways. I have been working on a bill, I introduced a bill in previous Congresses, and we are working on putting one together, working with

the Committee on Ways and Means to focus on updating that. One absolutely critical piece is to expand it to service workers. Of the people who applied for Trade Adjustment Assistance last year, 40 percent of them were denied because they were service workers. That needs to be changed and needs to be expanded. We also triple the number of dollars available for training so that we can add more people who will be able to get the benefits. Right now, there are a lot more people who want these benefits than there are money to provide for them. I think that is a critical piece.

Also on health care, we try to expand the coverage so that people can get health care coverage during this transition phase because that is another thing that has changed since my father's time is the cost of health care and the necessity of it. We have not stepped up and made the changes to address and deal with that.

Now, one thing that I do want to deal with, there is a lot of concern and skepticism out there from both sides of this debate about training. On the Republican side, if I may sort of loosely summarize here, there is concern of does this really matter? The economy is going well. We have got 4 percent unemployment. Should we be spending that kind of money? On the other side, there are a number of people who say, "Well, what are we training for? We train people for a job and then that job goes away because of international competition." I think both of those arguments are wrong. Fundamentally, having more skills, more education and more training makes you more employable in this country. That point is not debatable: training works. We have to accept that as a fact and go out there and train, educate and get the skills to our workers.

Now a lot of different ways to improve it and make it better, but if we start thinking the training and education provided by the government in one way or another does not make any difference, then I think we are doing a grave disservice to our workers. It makes a difference. We need to expand it. In my own state, Boeing has gone through a number of lay-offs over the course of the last decade. Even now, when they are coming back, fewer employees than they used to have, and I have story after story of workers who are able to go out, using this program or using some other program, and access training that has made a real difference in their lives. So, I think this bill will make a huge difference. As we introduce it and move forward, we have to update and improve TAA. I think it is one way to help workers deal with the challenges they face in today's economy. Again, I thank the Chairman and the Committee for their attention to this important issue.

[The prepared statement of Mr. Smith follows:]

Prepared Statement of The Honorable Adam Smith, a Representative in Congress from the State of Washington

Chairman Rangel and Congressman McCrery, thank you for holding this hearing. I appreciate the opportunity to testify before the House Ways and Means Committee today on the subject of Promoting U.S. Worker Competitiveness in a Globalized Economy. I am pleased to be working with you on crafting legislation that will make critical improvements to the Trade Adjustment Assistance Program and modernize the program so our workers are prepared to compete in this global economy.

Globalization is a fundamental reality for our changing economy. If we are to compete internationally, it is critical that we understand the trends of the global economy in order to identify how we can best compete, how we can create jobs here in the United States, and how we can best support U.S. industries.

Robust investments in education, job training assistance, and help for American manufacturers need to be made. It is important that we make investment in research and development, improve math and science education in grades K–12, enhance training and professional development for workers, open markets for American goods through trade agreements, and renew the government's focus on promoting innovation. By doing so, we can make sure that our economy remains the most vibrant and competitive in the world.

As part of our national competitiveness strategy, we must take action to help workers compete in this new economy while supporting those who have been displaced as a result of globalization. While the Trade Adjustment Assistance Program (TAA) is not the universal remedy to the growing pains and changes caused by globalization, it is a critically important program that specifically addresses workers who have been directly impacted by trade.

As you know, the TAA program was created in 1962, to help workers who lost their jobs due to international trade learn new skills and respond to changing realities in the global economy. Since then, the TAA program has seen many improvements and has been expanded. Most recently in 2002, Congress passed new reforms that included doubling of training funds, expanded program eligibility to allow secondary workers to enter the program and added additional benefits.

But despite these improvements to the program over the years, TAA needs to be modernized and improved in order to adjust to international trends. The program has been insufficiently funded compared to the need, and does not reach enough of the kinds of workers that need it, such as those in the service sector.

With these shortcomings in mind, I worked with Chairman Rangel to request a study by the Government Accountability Office (GAO) to evaluate and report to Congress on the effectiveness of the current TAA program. In response to our request, the GAO issued a report in May 2007 identifying some significant limitations of the program. These included shortcomings pertaining to limited worker eligibility, inadequate funding and outreach, and unnecessary and burdensome procedural requirements, all of which I believe must be addressed in this next reauthorization.

Importantly, the report highlighted two problems addressed by the bill I introduced last year with Chairman Rangel, H.R. 4156, the Trade Adjustment Assistance Improvement Act. This bill enjoyed over 110 bipartisan cosponsors in the 109th last Congress. Specifically, the GAO report brought attention to the fact that not all workers displaced by trade are covered under the TAA Program. The GAO also reported that the eligibility requirements for obtaining the Health Care Tax Credit impeded workers from utilizing the program.

Serviceworkers

Currently, only workers in the manufacturing and agricultural sectors are eligible to receive TAA job retraining and other benefits. The GAO found that the Department of 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, nearly half were denied for this reason. Most of the denied petitions in this group were for two service industries recently affected by offshoring to other countries—business services, particularly computer-related services and airport-related services, such as aircraft maintenance. Recent decisions by the U.S. Court of International Trade in TAA certification appeals affirm that the line is increasingly hard to draw. Yet, over 40% of the TAA petitions the Department of Labor denied in 2006 were denied because the company did not produce an "article."

Washington State's economy is highly integrated with the global economy and is home to industry leaders in service-based industries like aerospace; software; financial and legal services. When jobs in these industries are outsourced abroad as a result of global economic pressures, the workers are left without any resources or assistance from the TAA program. Even the Chairman of Microsoft, Bill Gates, recognizes the fact that U.S. employers are feeling the economic pressures to shift development work and other critical projects offshore. He said, "where innovation and innovators go, jobs will soon follow."

Recognizing this trend, workers in the service sector are faced with more job instability then ever before. Even though TAA was created to help workers displaced as a result of trade, it currently does not cover serviceworkers. Therefore, it is critical to me and thousands of workers in Washington state that Congress expand the TAA program to include serviceworkers.

Health Care Tax Credit

The GAO also found that the Health Care Tax Credit (HCTC) was underutilized due to both high costs and confusing eligibility requirements. Many of these workers

have been unable to access the tax credits due to certain conditions in the law and the failure of some states to provide coverage options. According to the GAO, only 6,900 eligible workers were enrolled in the "advance" option in 2006. The impediments to participation include: certain criteria for receiving the benefit; the time lapse between receipt of the benefit and separation from employment; the failure of some states to provide suitable coverage options; and the high cost relative to unemployment insurance benefits.

For many workers, maintaining health insurance for themselves and their dependents can be a significant portion of a family's budget. Under the current TAA program, the Health Care Tax Credit covers only 65% of health care costs. In 2006, the average annual cost for health insurance for a family of four was $11,500. That means the head of such a four-person household receiving the TAA health care tax credit would still face over $4,000 of out-of-pocket health care costs per year. That's been an unaffordable burden for someone that's unemployed, and the GAO report supports that conclusion. It is essential that we reduce TAA participants' out-of-pocket health-care costs so we can ensure that displaced workers and their families maintain comprehensive, affordable healthcare coverage.

Training

In the 2002 TAA reform bill, Congress doubled the training money from $110 million to $220 million. While this increase was appropriate, states are still experiencing a shortage of training funds. The GAO found that this shortage was not only a result of an overall scarcity of training funds, but that the Department of Labor's method of allocating training funds is flawed. The current process for allocating training funds needs to be reviewed and an improved process must be developed to ensure any reserve funds are immediately available to states that have spent or obligated a substantial portion of the current fiscal year allocation so they may quickly respond to a major layoff.

In addition, I have received feedback from my Washington state TAA coordinator that a portion of TAA training funds should be used for case management to help guide workers through this program. Meeting program deadlines for unemployment insurance and the Health Care Tax Credit is challenging for workers when dealing with a major layoff. Congress should provide the flexibility for TAA coordinators to provide case management services to TAA eligible workers to guide them through the training and other TAA benefits.

These and other important issues will be highlighted further in the GAO's testimony today. I would like to specifically thank Sigurd Nilson and Dianne Blank for their excellent work in delivering this GAO report. I am looking forward to Mr. Nilson sharing the findings the Committee later today and I hope the committee will work with me in introducing a bill that address many of these challenges identified in the report.

Also on a later panel, I am pleased you have invited Marcus Courtney to testify before the Committee. Mr. Courtney works with serviceworkers on a daily basis as the President of Washington State's WashTech—the nation's leading union for high-tech workers. His testimony will further highlight the need to expand the TAA to serviceworkers and the challenges he has seen in obtaining TAA benefits.

Mr. Chairman and members of the Committee, thank you for holding this hearing today. As Chairman Rangel has pointed out, the TAA program is only one part of what must be a comprehensive policy to help U.S. workers compete and grapple with difficult transitions in the fast-changing global economy. We must employ the full range of policy tools—from education reform to job training to scientific research funding, in order to help American workers successfully navigate and lead in the global economy.

So while our economic competitiveness efforts must be comprehensive, they must also be well targeted. In TAA, we have a long-standing adjustment program that could be made more effective by expanding and modernizing it. I am looking forward to working with the Chairman and members of the Committee to do just that.

Chairman RANGEL. Terrific statement. Let me ask your thoughts as to what you think about education and training before the student gets to the workplace because I am reaching the conclusion that the system that we have now, which is local and state, is not prepared to meet our National competitive obligations in

order to get into the higher skills. Have you any thoughts on that, Congressman Smith?

Mr. SMITH. Absolutely. I do not know about the—I do not have specific thoughts on the Federal versus state and local, I think there is probably a role for all three, but certainly we are not doing enough to prepare on the front end. Starting in K–12 education, we still have a K–12 education system that is primarily in most states aimed at sending a child off to get a 4 year liberal arts degree. That is great, there are a lot of sociology majors walking around who are not employable. We have not made the school to work transition. Now in my state, and I am sure it is true in a lot of others, there has been some changes. They have started to put a component in there that is focused on, okay, what job are you going to do, what are we training you for, but it needs to be greatly expanded. Then beyond K–12, our community and technical college system in the state of Washington is outstanding. They train nurses, computer scientists, technicians, but they do not have enough spots for the students who want access to them. Certainly there would be a Federal role to help expand that access for specific training to fill the jobs that are out there today.

The last thing I will say: apprenticeship programs. I think apprenticeship programs are incredibly valuable to give those students starting at 18 years old specific skills in specific areas. The labor union movement has done a lot on this. We don't however have enough focus and cooperation to get those apprenticeship programs. We have to start educating our young people to do something specifically, and I think we need to improve the system on a number of levels.

Chairman RANGEL. Thank you. Mr. McCrery?

Mr. MCCRERY. Just one thought, Mr. Smith, as I go around and talk to employers in my district, I am told that in many cases the training that potential workers get in some of these training centers does not really apply to what the employers need. So many of them have set up their own training programs and the workers that come through their own training programs are much more successfully integrated into the workforce and become valuable employees much more quickly. Should we be giving some thought as to how to move some of this money into the private sector to assist companies with training programs that they would direct. In many cases they are not unionized companies so there is no apprenticeship program, as you suggested, it is just the companies doing it themselves, small businesses, small manufacturers, and so forth. Have you given any thought or have you had that same experience in talking with employers in your district?

Mr. SMITH. I have given considerable thought to it. I am not necessarily opposed to it, I think it would probably be a fine idea to look at. But I will say there is another way to beat that problem and that is to bring the employers into the community and technical college system, to bring them into the apprenticeship program and have them help direct that and that is what we have done in the state of Washington, our community and technical college system works very, very closely with local businesses, what do you need, and they are tracking that very closely. So, I think certainly I would be perfectly willing to look at those options but at a min-

imum we have got to get the businesses in there wherever the training is going on to help direct it. That is happening to some extent, it needs to happen a lot more.

Mr. MCCRERY. Yes, okay. Thank you very much for your time.

Chairman RANGEL. Are there any members that would like to make an inquiry at this point. Mr. Levin?

Mr. LEVIN. Very briefly. I think your response is so germane. Mr. McCrery, for example, in our state there is an active relationship between the employer and the re-training program. The trouble is the state—the moneys run out. You have a number of states which have a demand for re-training and there are not adequate resources to do it. Also, there are inadequate resources for case management. The states are asking for some help on that. So I just close with this, I think in this country we know how to help in re-training. You mentioned the apprenticeship programs that go back decades and decades, where there is an intimate relationship between the employer and the employee and their representatives. I do not think people would say that the apprentice programs do not work. The problem is they were not open to enough people. That was the problem with apprentice programs. Too often it was determined by whom you knew instead of what was really needed in terms of the desires of people to be participants.

So, I do not think that the problem is this country does not really know how to attack the problem; we just have not effectively done so, getting in early enough and bringing our resources to bear. The globalization process is simply saying to this country, we have to do much, much better. Thank you.

Chairman RANGEL. Mr. Ramstad?

Mr. RAMSTAD. Thank you, Mr. Chairman. Thank you, Adam, for your excellent testimony. I know you have been a strong supporter of trade liberalization. If I remember correctly, you voted for the Trade Act in 2002, which included both Trade Adjustment Assistance and Trade Promotion Authority, is that correct?

Mr. SMITH. Yes.

Mr. RAMSTAD. Now you have a bill to reauthorize Trade Adjustment Assistance, which I agree fundamentally with. I know there is also a bill that has been introduced to re-authorize Trade Promotion Authority, and we all know that TAA was reauthorized in the last Trade Promotion Authority bill. It seems to me to make sense to couple the two again, to maybe strike a grand bargain over here in the House by pairing your Trade Adjustment Assistance bill with the Trade Promotion Authority reauthorization. Do you agree?

Mr. SMITH. Well, first of all, let me just emphasize that I will yield to the wisdom of my Chairman in terms of how to proceed on those matters without question. But let me also say that I unequivocally support extending Trade Promotion Authority. I think that the Chairman and Mr. Levin have done an excellent job of putting out a template on workers' rights that will make that an even TPA bill. But with that workers' rights template in it, I support it. I know that that is a controversial issue, but I think it is a key component in growing our economy.

Now, the idea that you have, what is certainly true, whether or not legislatively we wind up coupling those two pieces of legisla-

tion, it is absolutely true that the debate over trade in this country cannot be de-linked from the debate over worker protections like this, that the reason that people oppose trade is because of instability in the economy because they feel vulnerable. Even if they are not part of that 4 percent that is unemployed, they feel vulnerable. Addressing that vulnerability by giving them protection on health care and job training is critical. So, I personally would not be opposed to linking those two and I think it would focus the debate in a positive way.

Mr. RAMSTAD. Well, I certainly agree with the premise you just stated underlying both bills, and it seems to me that it does make, as I said, good, pragmatic commonsense to marry the two, if you will, to couple them. Again, if you would be willing to prod your leadership, I would do likewise and perhaps we could both lead the charge.

Mr. SMITH. Yes, I think it is a good idea.

Mr. RAMSTAD. Thank you again.

Chairman RANGEL. Mr. McDermott?

Mr. MCDERMOTT. Thank you, Mr. Chairman, for putting this hearing together. Mr. Smith, as I sit here, one of the things that I struggle with is why are we focusing only on jobs lost presumably to trade? If you are working in Massachusetts and they move your job to Arkansas or to Alabama or Texas or New Mexico or somewhere else, why should you not have access to the same kind of benefits? What makes a trade job loss so much more important than a job loss of any sort?

Mr. SMITH. Nothing, except for the fact in 1962 we created this program. As I said in the outset, if we want to have a more comprehensive approach to providing training to people who have lost their jobs, I am all for it because I totally agree with you, it does not really matter, first of all. Second of all, it is kind of self-defeating, and I know you have supported trade in the past very aggressively, we send a message out there that says, "We support trade and, oh, by the way, it is going to cost you a bunch of jobs so we are trying to fix that too." I do not think that is a great message. I think your message is better, look, dislocation is happening now because of increased competition, because of globalization, because of technology, because of a whole bunch of different factors. If we want to come up with a new program that tries to address that, I am not opposed to it except that the complication involved could delay the process.

TAA is a vehicle that has been around for over 40 years. It is a vehicle that we can use that clearly gets training to people that works and is effective. So, that is the vehicle we have and that is the vehicle that we are working under. But I think your analysis is absolutely correct.

Mr. MCDERMOTT. The problem I have with looking at this TAA as we sit with it now, you have to be from a company and you have got to be over 50 years of age, in a company where the majority of people are over and all those particular things that are part of qualification that have to be decided by the whole DOL or whoever before they will certify people. It seems to me we set so many barriers that it is almost impossible for people to get into within the

26 week limit that we set. It seems to me this thing really needs a tremendous overhaul.

Mr. SMITH. Absolutely.

Mr. MCDERMOTT. Not a little tinkering.

Mr. SMITH. I agree. The legislation we have been working on does a huge junk of that overhaul. I focused on making service workers available but there area a number of other changes we do to try to address that as well and the purpose of this hearing for the Chairman is to look at that. I agree, be aggressive as possible about knocking down the barriers here and giving people access. That would be my recommendation.

Mr. MCDERMOTT. Thank you.

Mr. LEVIN. Mr. McDermott, you have a little time, would you yield?

Mr. MCDERMOTT. Sure.

Mr. LEVIN. I think Representative Smith's response in terms of the practicality of moving ahead needs to be considered. As we look about the possibility of having a totally comprehensive program that I think we should look at, we need to keep in mind that TAA needs reauthorization and it very much needs expansion. If I might say so, Mr. Ramstad, Mr. McCrery kind of turned to me in terms of the linkage, I think we should be clear, that suggestion has been raised in the Senate and rejected by the Chairman of the Finance Committee. It will be a serious mistake if we delay action on TAA over the issue of reauthorization of TPA. That linkage in terms of any general authorization of TPA is not going to happen and it should not be used as an excuse to fail to address the needs of workers who are dislocated and communities who are impacted. When we talk about workers, we are talking about businesses because the lack of trained personnel is a challenge to businesses as well as an impact on workers. We have got to face up to this reauthorization of TAA and to do it and to not use it as any kind of a vehicle for anything else. It needs to stand on its own.

The only reason it was done in 2002 was because of this effort and there was inadequate attention to TAA. I do not think there was even a hearing in this Committee on TAA. There was a medical or health benefit put on to TAA that we said would be inadequate and that, as I remember, was never fully considered by this Committee or the Subcommittee.

We have no choice and your helping, Representative Smith, to tackle this issue of TAA, the dislocation impact on workers, businesses, and communities. We need to do it expeditiously and not look for any other rationale for not doing it.

Chairman RANGEL. We have to reset the clock, as I recognize Mr. Tiberi.

Mr. TIBERI. Thank you, Mr. Chairman, for holding this hearing. I want to agree with Mr. McDermott. Thank you for being here today. My dad lost his job to one of those states that Mr. McDermott mentioned. Let me tell you where my bias, Congressman, thank you for doing this and thank you for being here today. My dad has a sixth grade education, a lot smarter than I am, street smart, wise. He worked 25 years for a company as a steelworker in Ohio. Ohio has lost more manufacturing jobs than any other state other than Michigan. My dad lost one of those jobs after 25

years. Not only did he lose his job, but he lost his pension and he lost his health care. He did not lose it to China, he did not lose it to Mexico, he lost it to a state that recruited this company very aggressively and it was a Right to Work state.

The classification of that job that my dad lost is often used, and it riles him up a lot still to this day, that it was lost because of Mexico, it was lost because of China, it was lost because of globalization, and that just simply is not true.

So as we have this debate today and tomorrow and into the next year, my dad is a real person, a real face, a hard worker who lost a lot at 50 years old that had nothing to do with China or Mexico but had to do with the dynamics of the economy within the United States of America. I hope that within this debate we talk about those people because I do not think the Federal Government does a very good job of classifying my dad as losing a job for other reasons other than trade, other than globalization, but he still lost his job. With a sixth grade education and not knowing anything other than the manufacturing job that he has that has been lost because of technology, because of advances in the field of technology, his life changed a whole lot and so did mine, the impact that that had.

So as we look to this, it worries me that we are kind of trying to fit everything into this boat of trade causes job loss, and we need to figure out how to fix those job losses and deal with the people who lose those jobs, so much broader than that. I agree with Mr. McDermott.

Mr. SMITH. Well, let me just assure you, if all this Congress does on the issue of dealing with the challenges that workers face in our competitive economy, global economy, all the challenges that many members have mentioned, if all we do is make adjustments, however bold, in the Trade Adjustment Assistance bill, then we will have failed. There is no question. Health care, it makes a certain amount of sense to my mind to decouple your health care from your employer. If you are going to be changing jobs eight, nine different times, let's give you a more secure health care system. I could go on, I will not. I know the Chairman, we have got to move on here. But there are countless things that we need to do address the very situation that you just described. This is but one of them, make no mistake about that.

Chairman RANGEL. Mr. Tiberi, you are so correct in your observations. No one was more eloquent in expressing that view to our U.S. Trade Representative when she made the same observation that not all job loss is due to trade, but he said that it does not have to be connected to trade. The perception that it is connected with trade makes it very difficult politically for some members even to consider the substance of the trade agreement because of what happened to your dad and so many others. So we may not have jurisdiction over it, but we are going to have the responsibility to be a partner in developing a legislative plan that deals with all of our communities, whether we make them Empowerment Zones, whether we give training access to their kids like you to compensate for the loss that your dad had so that at least in the community there is not a sense that they have been deserted by their government.

Mr. Kind?

Mr. KIND. I want to thank my friend and colleague, Mr. Smith, not only for his testimony here today but for all the hard and terrific work I think that he has done in trying to lay a bipartisan framework and where we can go forward on TAA assistance in this session of Congress.

Mr. Chairman, I could not agree with your comments or Mr. Tiberi's comments more that we have an extremely fluid and dynamic economy, job losses are occurring unfortunately all the time around us, whether it is due to domestic competition, technological changes, the competitiveness of the global economy. That is why thinking outside the box a little bit and de-linking this type of assistance, just the trade implications or foreign competition, I think is going to be crucial to restoring some faith and confidence in the American worker and the type of programs that they can access so they can upgrade their skills and be more competitive.

I think GAO has done a very good report analyzing some of the TAA provisions in the past. I know you are addressing now, Adam, in your legislation and in your comments, but the eligibility requirements for the health care tax credit is huge. I mean when you lose a job, you not only lose that income stream and also the retirement or pension benefits but what seems to scare people the most is the loss of health care coverage. I think that is a serious issue that we undoubtedly are going to have to address as we move forward. I know you have been thinking long and hard on how we get out of this box, but I think Mr. Pascrell and others have a legitimate point too that right now TAA is limited—Mr. McDermott just raised it—to job loss related to the production of some products or some goods, and yet we have a huge service economy too that is being effected more and more by job displacement.

But if you could just take a moment and talk about the health care aspect of all this because I think if there is one issue that really does strike terror in the hearts of workers with the possibility of job loss, it is that health care connection.

Mr. SMITH. That is a number of different challenges in terms of how the economy has changed. As I mentioned in my opening remarks, we have not done a good enough job of responding to that. You had the New Deal for workers and at the time it made sense, but the economy has changed and we still got the same now "old deal" for workers. Health care is one of the huge breaks in that.

There are a number of pieces to it. As wages for middle and low-income workers have stagnated, other costs have not. Health care is the biggest one but also we have to talk about education. I know that is not this Committee's jurisdiction. Just in the time since you and I went to college, looking at our children getting ready to go to college, the costs have gone through the ceiling, so that cost aspect is hitting workers as well. But health care, right at the top.

Personally whatever we are doing here, and I have got some ideas in terms of how we expand coverage to give more resources to these displaced workers, to give access there, whatever we are doing, all of that is just putting bandages on a very, very severe patient here. We have got to do something to get the cost of health care under control, to get health care inflation under control, and to get universal access to folks, universal access that in my opinion is not tied to their jobs. There are a lot of different ideas out there.

It is a big thing to swallow because of the politics involved but if we are really going to help workers, we have got to do comprehensive health care reform. This will help a little bit, it helps people by expanding—giving them greater resources to go out and find health care, giving them access to health care programs that they usually would not, saving them from having to go on the individual market, allowing them to go into COBRA or into the FEBHP. That is helpful but it is still expensive. So, I think we have to do something comprehensively or we are just nibbling at the edges.

Chairman RANGEL. Now, we have three panels this morning, and I want the Members to take that in consideration because there has got to be plenty of opportunities for them to question, the question is whether we will be able to finish today. So, is there anyone seeking recognition?

[Laughter.]

Chairman RANGEL. Let me say you have made an outstanding contribution over the years. We will not move forward without making certain that you are part of the input and the discussion so that we can get this right. We thank you for your testimony.

Mr. SMITH. Thank you. I just want to say again thank you to you and your staff in particular. Your staff has been fabulous in working on this issue, and I appreciate it.

Chairman RANGEL. This is one of the areas that Mr. McCrery and I have talked about, we may not be able to succeed in a bipartisan way but we are going to do our darnedest to create the atmosphere to see what we can get done in this area. Thank you. The Chair recognizes Dr. Nilsen, director for education, workforce, and income security from the GAO. Thank you so much. Your full statement will be entered into the record. We look forward to hearing you during the 5 minute allocated, and thank you so much for your patience with the Committee. You may proceed when you are ready.

STATEMENT OF SIGURD R. NILSEN, PH.D., DIRECTOR FOR EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, GOVERNMENT ACCOUNTABILITY OFFICE

Mr. NILSEN. Thank you, Mr. Chairman. I was asked to provide a little more than a 5 minute statement to provide a broad overview of the TAA program, as well as to report on the recommendations, the findings that GAO has identified over the last several years since 2005—2002 reauthorization.

Chairman RANGEL. How much time do you think that you would need?

Mr. NILSEN. Probably about 12 minutes.

Chairman RANGEL. Okay, let's try that.

Mr. NILSEN. I will provide an overview of the TAA program and highlight the recommendations we have made to improve the program and enable it to better assist workers who go through this challenging transition, that is losing their jobs because of foreign competition.

[Slides.]

As indicated on the slides here, there are four major benefits in the program: First, training is available for workers up to two and half years, including remedial training for those who need it; next

is extended income support to match the period someone is in training for up 2 years after they exhaust their regular UI benefits; Wage Insurance, which subsidizes the difference between the prior wage and new wages for workers over age 50 who lack transferable skills—this was new in the 2002 bill—as well as a tax credit to help workers to pay for health insurance, also new in 2002.

TAA is funded about $900 million, $220 million of that goes for training and $655 million for the extended income support.

First, I will talk about the certification process, how workers get access to these benefits. As you have heard, the process of enrolling trade-affected workers in the program begins with a petition to the Department of Labor on behalf of a group of workers. Labor investigates the petitions to ensure that they meet the certification requirements, namely, that workers about to be laid off are employed by a company that produces a tangible good, that is a requirement right now. In addition, a petition must demonstrate that the layoff is related to international trade because of either increased imports or a shift in production overseas. Additionally, secondary workers are eligible for benefits, those who produce component parts or do finishing work for a firm that is TAA-certified.

When Labor has certified a petition, it notifies state officials who then are responsible for contacting each worker covered by the petition, informing them of the benefits available and telling them when and where to apply for benefits. In 2006, Labor generally processed petitions in a timely manner, meeting the 40 day processing requirement for three quarters of the petition.

Over the past 3 years, the number of petitions certified has declined 17 percent from nearly 1,700 in Fiscal Year 2004 to $1,400 in 2006. However, this is proportionately the same as the number of petitions that Labor has received. Over that 3 year period, roughly 400,000 workers were included in those certified petitions.

During 2004 to 2006, more than half the petitions certified were due to increased imports, as this graphic shows. Nearly, 40 percent were due to a shift in production and about 7 percent of the petitions were for secondary workers.

In 2006, Labor certified 1,407 petitions covering 120,000 workers and denied about 823 petitions. There is a slide showing the denials and the reason for denials. Forty-four percent of the denials were because they did not produce a tangible good, for example, business services and aircraft maintenance were the two major groups of that forty-four percent that were denied. A quarter were because there were no import increase or shift in production associated with the closure and the layoff and 12 percent was because there was no employment decline.

If Labor denies TAA petition, workers have two appeal options. First, they can ask Labor to reconsider its decision. During 2004 to 2006, about 400 appeals were made to Labor and about a third of those were reversed after the company provided additional data to the Department of Labor. Also, workers can appeal to the Court of International Trade. In the 3 year period that we looked at, 42 petitions were appealed to the Court, of which 16 were reversed.

Layoffs tend to be episodic, and the estimated number of trade-affected workers in a state fluctuates dramatically from year to year, as this slide illustrates. The estimated number of trade-af-

fected workers declined dramatically in Kansas from 4,100 workers in 2004 to 75 workers in 2005. Then in 2006, it increased nearly tenfold to 720 workers. In Michigan, they also followed a similar trend with a number of effected workers dropping about 30 percent from 2004 to 2005 and then jumping 70 percent to 8,500 certified in 2006.

Labor's process for allocating training funds does not adequately recognize this episodic nature of layoffs or the extent to which states have used their previous year's allocation. As a result, sufficient funds are often not allocated to states in the greatest need while many states are provided more funds than they need. Labor allocates 75 percent of the funds based on a formula that takes into account layoffs over the previous two and a half years and distributes most of the remaining funds at the end of the year, the 75 percent is allocated on the first day of the Fiscal Year.

What they do not take into account on that second allocation is whether or not states need additional funds. Looking at this map, in 2006, states spent or obligated 62 percent of the $220 million available for training nationwide but in 13 percent of the states, those are the states in blue there, virtually none of the 2006 allocations were spent and because the states were still spending their 2005 money. Nine states, those in orange there, spent all of their 2006 money.

One of the reasons this occurs is that Labor's allocation process has what is called a "hold harmless" provision where a state will be guaranteed 85 percent of what they got last year in the next year's allocation regardless of whether or not they need it, they spent it, or had more or less layoffs. While this policy is intended to minimize significant fluctuations in state funding from prior years, it awards states comparable training funds without recognition of current layoffs or previous year's expenditures or obligations. For example, those 13 states that used none of their 2006 funds received $41 million in additional funds for 2007, an amount nearly equal to what they received the prior year that they had not touched yet. In addition, only days before they got that 2007 allocation, they received another $5 million in end of year allocations. We recommended in our report that Labor revamp this formula and how they allocate funds, and they agreed and said they were going to be doing that.

Now, I would like to discuss workers' use of the benefits and services available to them. Participants may receive a total of 104 weeks of extended income support beyond the 26 weeks of Unemployment Insurance benefits available in most states. While there are no national data on how many weeks of income support a TAA participant uses, we conducted a study of five TAA-certified layoffs across the country and found that, while many workers did not use the extended benefits available to them, a substantial portion of workers in all the sites we studied did use this benefit. But in general no more than a third of the workers actually used the extended benefits for more than a year.

This shows the five sites we went to, one in Missouri, Pennsylvania, Washington, Mississippi, and Massachusetts, covered a broad range of industries. One made printed circuit boards, another made lawn mower engines, Weyerhaeuser as a paper or pulp pro-

ducer, Lear made automotive carpets and the General Mills, among other things, made frozen cookie dough.

Nationally, the number of workers entering training from 2004 to 2006 has declined, paralleling the decline in the number of workers certified. Overall, training enrollment declined by 30 percent to 36,000 workers in 2006. However, enrollments in remedial training over this period have increased both as a proportion of the total and in absolute terms as well. Yet, occupational training remains the largest training category for TAA participants, with about three-fourths of TAA training participants opting for occupational training with the most popular areas being training in nursing, medical assistance, and truck driving.

While Labor has some information on the number of workers enrolled in training, no information on the proportion of TAA-certified workers who uses the training benefit exists. Again, we gathered this information from the five layoffs we studied. We found that a minority of workers at each site enrolled in training. Workers at the Massachusetts site, the one on the right there, had the highest enrollment in training. Many of these workers enrolled in remedial courses, including English as a second language and many also enrolled in occupational skill training. At four of the sites we studied, half or more of the workers were enrolled in training for less than a year, i.e., not long-term training, and 30 percent or more of workers in most sites took training of less than 6 months.

The number of workers using the Wage Insurance Program has increased over the 3 years we studied, from about 1,400 workers in 2004 to 3,200 workers in 2006, yet participation as a proportion of all workers certified is low. The universe of workers eligible for Wage Insurance cannot be estimated because data are not available on the number of workers certified for TAA who are at least 50 years old and lack transferable skills, which are the requirements for the Wage Insurance Program. However, two-thirds of the states that we surveyed estimated that 5 percent or less of TAA participants received Wage Insurance in 2006. Total spending for Wage Insurance payments in 2006 was about $17 million, well below CBO's cost estimate of $50 million annually.

TAA participants get a 65 percent tax credit for their health insurance premiums but, again, in this program participation is low. The number of TAA participants enrolling in the advanced health coverage benefit has increased since 2004, yet only 6,900 workers received the benefit in 2006. About half of those participating were in four states: North Carolina, Virginia, Pennsylvania and Tennessee, with North Carolina alone accounting for a quarter of those participating in the program. Officials in the state, that you will hear from later, attribute this to aggressive outreach to enroll workers in the program. Overall, they have about 9 percent of TAA-certified workers, so it is way above the proportion.

As of September 2006, about 7 percent of the workers that were eligible for extended income support, that is a basic requirement for recovering the health coverage credit, were receiving the advanced credits. However, some of the workers that were eligible for extended income support may not meet other eligibility requirements for the health coverage benefits, such as having a qualified health plan. Three-quarters of those using the tax credit do so to

continue their employers' plan under COBRA. Many of those not using the tax credit said they had access to other insurance but many who went without insurance said they did not understand it or it was too expensive. Workers pay about a quarter of their UI benefits for coverage in a family plan under the tax credit even after they get the credit. There is a gap of 2 to 3 months where they are not eligible to receive any credit and they have to pay the full premium themselves.

What I would like to do now is go through a timeline of what happens if you are working at a facility that is going through a closing and petitioning for TAA certification. What I am going to do is illustrate this with the actual sequence of events from a closing we studied. This is what happened in Pennsylvania at the Lear facility, which manufactured automobile carpets, where production was being moved overseas. This facility had about 300 workers at the time of the closing, three-quarters were men, about three-quarters of the workers were over 40 years old, 82 percent had no more than a high school education and about 80 percent had been working at the plant for 10 years or more.

On October 1, a Warn Notice, that is the advanced notice requirement, was filed with the state indicating that the plant would be closing. A week later, a petition was filed with Labor and investigation was begun. Five weeks later on November 12th, the petition was approved by Labor and in late November, the workers were formally notified, as it is showing here.

Meanwhile, layoffs had begun in early November and continued through February 2004 when the plant was totally shut down on the 15th of February. Rapid response meetings were held in mid-November to tell workers about the benefits available to them, including job search assistance, training, extended income support, the Health Coverage Tax Credit and Wage Insurance.

Now, let me illustrate briefly the decisions facing these workers who were laid off. If they want to take advantage of the extended income support, workers need to be enrolled in training by no later of 16 weeks after layoffs or 8 weeks after they were certified as TAA eligible. In this case, it would be the 16 weeks after layoffs. For the first round of those laid off, it would be by the end of February. If they want to use the Wage Insurance benefit, they need to be re-employed within 26 weeks. To be eligible for the Health Coverage Tax Credit, they need to be qualified for extended income support, meaning they need to be in training.

Chairman RANGEL. How much time do you think you will need?

Mr. NILSEN. Well, I can sum up if you would like.

Chairman RANGEL. I need that.

Mr. NILSEN. One of the things we are told—give me 2 minutes, if you would. We are told by workers and their case managers that this is a very stressful time. The majority of the workers at this facility had been in their jobs for a long time. Laid off workers were overwhelmed and confused and often their first reaction is to quickly get a job, yet this is not easy in a rural location like this that has experienced a number of layoffs over the recent years in this community. They received a lot of information, all at rapid response, and they said they needed more help to figure this out, and this is where the case managers come in.

Case management is something that is not covered in TAA. They either have to borrow from WIA or use some of the administrative funds that they do get under TAA to provide case management. Case management helps workers figure out what they need to do, where to get the information, how to make these decisions, these are hard decisions. We have recommended in our recent report that the Congress allow some of the training funds to be used to pay for case management.

To close here, Mr. Congressman and the Committee, I would like to just reiterate our major recommendations, that the TAA program provides much-needed re-employment assistance to workers who lose their jobs due to international trade. We recommended a number of improvements to improve that assistance.

First, just briefly, that slide shows the wage replacement for workers. It is a point I want to make here, that when we looked at what happened to laid-off workers, we followed each one, whether they were in the program or not, it appears that workers use what they needed to successfully transition to new jobs. The highest paid and most educated workers tended to find jobs on their own. They had networks, et cetera. The lowest paid, least-educated workers really used the program, they used the job search assistance, they used the educational benefits in the program. Those in the middle tended to use the job search assistance, some used the training as well. In general though, across the three groups, outcomes were comparable. I just want to make that point.

So, our major recommendations then are summarized here: First, the process for allocating funds to the states for training needs to be re-vamped. Second, we need to allow states to use a portion of their training funds to provide case management to help workers make those critical decisions and keep access to those benefits as they make the transition. Third, the training, we need to simplify the training enrollment deadline and not make it so complex. Fourth, ease the constraints on the Wage Insurance Program and conduct an evaluation of this demonstration program. Fifth, improve the performance data that is available on the program through the Department of Labor.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Nilsen follows:]

Prepared Statement of Sigurd R. Nilsen, Ph.D., Director for Education, Workforce, and Income Security Issues, Government Accountability Office

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss the challenges states have faced in implementing some aspects of the Trade Adjustment Assistance Act (TAA) program. We have conducted a number of studies on the TAA program since the program was last reauthorized in 2002, and my testimony today will focus primarily on the results of that work as well as from our ongoing work.[1] Today I'll be talking about issues we identified and our recommendations for improving the program.

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

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The Trade Adjustment Assistance program, established in 1962 and administered by the Department of Labor (Labor), is the nation's primary program providing income support, job training, and other benefits for manufacturing workers who lose their jobs as a result of international trade. In fiscal year 2006, Congress appropriated about $655 million for income support payments and another $220 million for training for trade-affected workers. In 2002, Congress made a number of key changes designed to expand benefits and decrease the time it takes to get workers into services. Among the changes, the act

- established a deadline for workers to enroll in training, after they have been laid off or their petition has been approved, in order to maintain eligibility for extended income support payments;
- created a wage insurance benefit for workers age 50 and older, subsidizing the difference between the prior and new wages of some trade-affected workers who find reemployment quickly; and
- created a health coverage tax credit to help trade-affected workers pay for health insurance.

In order for workers to receive TAA benefits and services, Labor must certify that workers in a particular layoff have been adversely affected by international trade. The certification process begins when a petition is filed with Labor on behalf of a group of laid-off workers. Labor then surveys the firm undergoing the layoff and its customers and also reviews data on the firm's industry to determine whether it meets the criteria for certification. 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.

In preparation for reauthorizing the program, you asked us to provide information on some of the key issues identified in our work that should be addressed in reauthorization. In addition, you asked us to analyze the impact of an alternative industrywide approach to certifying TAA petitions. My testimony today will provide information and highlight our recommendations on (1) Labor's administration of the TAA program, (2) the challenges states face in providing services to trade-affected workers, (3) the factors that affect workers' use of the wage insurance and health coverage benefits, and (4) the impact of using industrywide certification approaches on the number of workers potentially eligible for TAA.

To address the first objective, we drew upon our most recent report and a 2006 report on TAA performance data.[2] Our recent report was based, in part, on a survey of the 46 states that received an initial allocation of TAA training funds in federal fiscal year 2006, and a supplemental survey to collect additional financial information on fiscal year 2006 training expenditures and obligations. Information on performance data is based primarily on a survey of 46 states conducted between November 2005 and January 2006 and on site visits to five states—California, Iowa, Ohio, Texas, and Virginia. To answer the second and third objectives, we interviewed Labor and Internal Revenue Service (IRS) officials and visited state and local officials in four states—California, Massachusetts, Michigan, and North Carolina. We also analyzed Labor's quarterly activity reports and IRS's data on the health coverage benefit. To address the fourth objective, we interviewed officials at Labor and the International Trade Commission and analyzed Labor's data on TAA petitions from calendar year 2003 to 2005, 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. We conducted our work in accordance with generally accepted government auditing standards.

In summary, our work shows that Labor could improve the way it administers the program in two key areas—the process it uses to allocate training funds to states and its tracking of program outcomes. Labor's process for allocating training funds does not adequately reflect the current demand for training services in the state, and Labor distributes additional funds to states regardless of whether they need them. Regarding program outcomes, we found that TAA performance data are incomplete and may be inaccurate. For example, only half the states are including all participants, as required by Labor. States face challenges in providing services to workers, including the lack of flexibility to use training funds to provide trade-

Assistance: Reforms Have Accelerated Training Enrollment, but Implementation Challenges Remain, GAO–04–1012 (Washington, D.C.: Sept. 22, 2004).

[2] GAO–07–701, GAO–07–702, GAO–06–496.

affected workers with case management services, such as counseling to help them decide whether they need training and which training would be most appropriate. States receive no TAA program funds for case management and must either use their limited administrative funds or seek resources from other programs, such as those funded by the Workforce Investment Act (WIA). States also reported that their efforts to enroll workers in training are sometimes hampered by the training enrollment deadline and that workers find the deadline confusing. Few TAA participants take advantage of the wage insurance and health coverage benefits, and several factors limit participation. For example, several states reported that the requirement that workers must find a job within 26 weeks to receive the wage insurance benefit was the major factor preventing more workers from taking advantage of the benefit. Regarding the health coverage benefit, several states told us that high out-of-pocket costs may discourage workers from using the benefit. Finally, an industry certification approach based on three petitions certified within any 180-day period would likely increase the number of workers eligible for TAA—potentially doubling those eligible—but also presents some design and implementation challenges. For example, using an industrywide approach raises the possibility that workers who have not been affected by trade will be certified. We made a number of recommendations to Labor to address the issues we identified, as well as suggested that Congress make changes during reauthorization to improve the program.

Background

The TAA program was designed to assist workers who have lost their jobs as a result of international trade. The program provides two primary benefits to these workers—training and extended income support. In addition, as a result of the TAA Reform Act of 2002, workers also have access to wage insurance and health coverage benefits. In order to be eligible for any of these benefits, Labor must certify that a layoff was trade affected.

TAA Benefits and Services

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

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

Extended income support. Participants may receive a total of 104 weeks of extended income support beyond the 26 weeks of unemployment insurance (UI) benefits available in most states.

Job search and relocation benefits. Payments are available to help participants search for a job in a different geographical area and to relocate to a different area to take a job.

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

Health coverage benefit. The health coverage benefit, known as the Health Coverage Tax Credit (HCTC) and also created by the TAA Reform Act, helps workers pay for health care insurance through a tax credit.[3] Workers can choose to receive the benefit in one of two ways—as an advance option that covers 65 percent of their monthly premiums, allowing them to lower the amount they have to pay out of pocket for health coverage, or as an end-of-year tax credit that is claimed on their income taxes. To be eligible for the health coverage benefit, workers must either be (1) receiving extended income support payments or eligible for extended income support but still receiving UI payments, or (2) receiving the wage insurance benefit. IRS administers the health coverage tax credit program. There are three health plan options that are automatically eligible: COBRA continuation plans,[4] coverage

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

[4] Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985, certain employers with 20 or more employees are required to make available 18 to 36 months of continued

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through the worker's spouse, and individual market plans purchased by the worker. In addition, the TAA Reform Act also allows states to designate other coverage alternatives—called state-qualified options.

TAA Certification Process and Eligibility Requirements

Currently, Labor certifies workers for TAA on a layoff-by-layoff basis. 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, a petition must demonstrate that the layoff is related to international trade in one of several ways, including the following:

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

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. 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.

Training Funds

Approximately $220 million is available annually for training, and states have 3 years to spend these funds. Thus fiscal year 2006 funds must be used by the end of fiscal year 2008. Each year Labor allocates 75 percent of the training funds to states according to a formula that takes into consideration several factors, including the average amount of training funds allocated to states, reported accrued training expenditures, and the average number of training participants over the previous 2½ years. In addition, to minimize year-to-year fluctuations in state funding, Labor uses a hold harmless policy that ensures that each state's initial allocation is at least 85 percent of the initial allocation received in the previous year. In fiscal year 2006, Labor initially allocated $165 million of training funds to 46 states. To cover administrative costs, Labor allocates to each state an additional 15 percent of its training allocation. Labor holds the remaining 25 percent in reserve to distribute to states throughout the year according to need as they experience unexpected large layoffs.

TAA Performance Reporting System

Labor is responsible for monitoring the performance of the TAA program. States are required to submit information on exiting participants through the Trade Act Participant Report (TAPR) each quarter. The TAPR data submitted by states are used to calculate national and state outcomes on the TAA performance measures for each fiscal year, which include reemployment rate, retention rate, and wage replacement rate. Unlike other training programs, like WIA, TAA has no individual state performance goals, and states do not receive incentives or sanctions based on their performance levels, nor are they otherwise held accountable for their performance. In addition to submitting TAPR data, states also submit data to Labor on TAA services and expenditures each quarter.

Labor Could Improve Its TAA Program Administration

Labor could improve the way it administers the program in two key areas—the process it uses to allocate training funds and its tracking of program outcomes. La-

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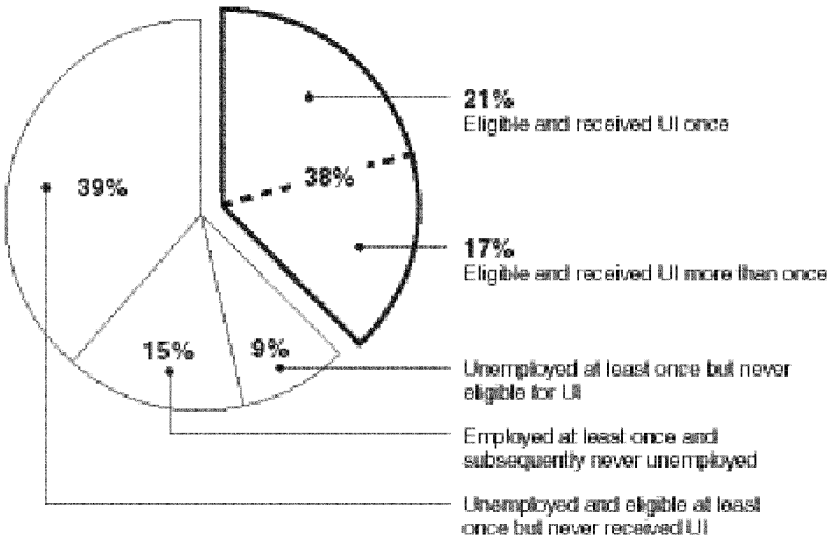
health care coverage for former employees and their dependents who lose health coverage due to certain circumstances, such as when a worker is laid off.

bor's process for allocating training funds presents two significant challenges to states. First, the amount states receive at the beginning of the fiscal year does not adequately reflect states' spending the year before or the current demand for training services in the state. Second, Labor distributes a significant amount of funds to most states on the last day of the fiscal year, even to states that have spent virtually none of their current year's allocation. In addition the performance information that Labor makes available on the TAA program does not provide a complete and credible picture of the program's performance. For example, only half the states are including all participants, as required, in the performance data they submit to Labor.

Labor's Policies for Allocating Training Funds Present Challenges to States in Managing Their Funds

Labor's process for allocating training funds does not adequately recognize the episodic nature of layoffs or the extent to which states have used their previous year's allocations. Labor allocates 75 percent of TAA training funds based upon a formula that takes into account expenditures and participation over the previous 2½ years. The year-to-year fluctuation in layoffs within a state may result in states receiving more or less funds than they actually need. For example, the estimated number of trade-affected workers being laid off declined dramatically in Kansas from fiscal years 2004 to 2005 and increased somewhat in 2006. Overall the estimated number of trade-affected workers in Kansas laid off in fiscal year 2006 represented about an 80 percent decrease from 2004. On the other hand, Missouri experienced an 80 percent increase in the number of trade-affected workers being laid off between fiscal years 2004 and 2006 (see fig. 1). Kansas used hardly any of its fiscal year 2006 training fund allocation, while Missouri used virtually all of its. Despite these trends, both states received about 15 percent less in fiscal year 2007 than they received in 2006.



Source: GAO analysis of NLSY79 data

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

While the 46 states responding to our survey reported using (spending or obligating), on average, about 62 percent of their fiscal year 2006 training funds during the fiscal year, the percentage of funds states expended and obligated varied widely. Thirteen of the states reported using less than 1 percent of their fiscal year 2006 funds for training, while 9 states reported using more than 95 percent of their fiscal year 2006 training funds(see fig. 2). The amount individual states reported using ranged from 0 percent in several states to about 230 percent in 1 state.

Source: Department of Labor, (Map) Map Resources.

Figure 2: States with High and Low Use of Fiscal Year 2006 Training Funds

A particular problem with Labor's allocation process is the hold harmless policy, which guarantees that each state receives no less than 85 percent of what it received in the previous year. While this policy is intended to minimize significant fluctuations in state funding from prior years, it awards states comparable training funds without recognition of the previous year's expenditures or obligations. For example, the 13 states that used less than 1 percent of the fiscal year 2006 funds received nearly $41 million in fiscal year 2007—an amount slightly less than they received in fiscal year 2006. Moreover, 5 of the 13 states received a larger allocation in fiscal year 2007 than they received in 2006.

Labor distributes a significant amount of funds to most states on the last day of the fiscal year, regardless of whether states need these additional funds. Labor distributed end-of-year funds to 48 states, including about $5 million to states that had spent or obligated less than 1 percent of their initial fiscal year 2006 allocation.[5] Labor distributes these funds to each state based upon a calculation that takes into account the amount of training funds each state received from its initial allocation plus any additional amount it received during the year.[6] According to Labor officials, all states will receive an end-of-year allocation unless a state specifically informs Labor it does not want any additional funds or if it had not received any funds at all during the year. Waiting until the last day of the fiscal year to distribute training funds to states does not reflect good planning or management of program funds. Labor officials agreed that the distribution of reserve training funds could be improved so that more funds are disbursed throughout the year rather than on the last day. Officials also acknowledged that states that have not spent or obligated any of their initial allocation probably should not receive additional training funds at the end of the year.

In our recent report, we recommended that the Secretary of Labor develop procedures to better allocate training funds and ensure that any reserve funds are given to only those states that have spent or obligated a substantial portion of the current

[5] Hawaii and North Dakota did not receive end-of-the year funding because these states received no training funds at all during the year.

[6] For example, if Labor had distributed a total of $200 million in training funds during the year and a state had received a total of $10 million (received $7 million from its initial training allocation and had requested an additional $3 million during the year), then that state would receive 5 percent of any reserve funds distributed at the end of the year.

fiscal year allocation. In its comments, Labor agreed with our findings and recommendations and noted that it would examine the process for allocating training funds to states.

TAA Data Do Not Provide a Complete and Credible Picture of the Program's Performance

TAA performance data are incomplete and may be inaccurate. States report that they are not including all TAA participants in their performance data, despite Labor's requirement that all participants be included after they exit the program. We found that only 23 of the 46 states we surveyed reported that they are including all exiting participants in their submissions to Labor. In general, states have information on those in training, but may not systematically track those who receive other assistance, but not training. Furthermore, Labor does not have a process in place to ensure that states are including all exiting TAA participants in their reporting submissions. Despite the importance of accurately identifying exiters, the exit dates themselves may not be accurate because some states do not consistently obtain proper documentation to verify the dates. Accurate exit dates are critical to TAA performance data for two reasons. First, whether a participant exits determines if the individual should be included in the state's report to Labor. Second, the actual exit date determines when a participant's employment outcome will be assessed.

Some states are not using all available data sources to determine TAA participants' employment outcomes. Labor requires states to use UI wage records to determine the employment outcomes of participants reported to Labor. However, each state's wage record database includes only wage data on workers within the state and does not have data on participants who found employment in another state.

In our 2006 report, we made several recommendations to Labor to help ensure that TAA participant data reported by states are consistent, complete, and accurate, including issuing clarifying guidance. Labor has taken some steps to share information with states and to improve data quality. In fiscal year 2006, Labor distributed $250,000 to each state to help them improve their TAA performance data systems, but it is too soon to know whether their efforts will improve the quality of the data.

States Face Challenges in Providing Services to Workers

States report being challenged by the lack of flexibility to use training funds to provide trade-affected workers with case management services, such as counseling to help them decide whether they need training and what type of training would be most appropriate. In addition, efforts to enroll workers in training are sometimes hampered by the confusing TAA training enrollment deadline that requires workers be enrolled in training within 8 weeks of certification or 16 weeks of layoff to qualify for extended income support.

Limited Flexibility in Use of Training Funds Hinders Case Management Services

States also cited the lack of flexibility to use training funds to provide trade-affected workers with case management services as a challenge. Workers often need help making decisions about training—what type of training to take or whether to enroll in training at all. Difficulty funding case management services for trade-affected workers was a concern among officials in the states we visited. For example, state officials in one state said providing proper assessment, career counseling, and other case management services was a real challenge and noted that additional funds from other sources are limited. States do not receive TAA program funds for case management and, by law, cannot use training funds for this service. As a result, states must either use their limited TAA administrative funds or use funds from other programs to pay for case management, but there are limitations with these funding sources.

According to Labor officials, states are encouraged to co-enroll participants in the Workforce Investment Act (WIA) program, and in Labor's view states have sufficient WIA funds to pay for case management for TAA participants. About three-fourths of the states reported in our survey that they were able to utilize WIA funds to help pay for case management services. Yet nearly half of the states also reported that coordination with WIA was a challenge. For example, WIA funding may not always be available for TAA workers, especially during a large layoff. Furthermore, local officials in a state we visited said that while 85 percent of TAA participants do co-enroll in WIA, a large layoff can strain funding and makes it difficult for WIA to completely fund case management for trade-affected workers.

States also reported limitations to using administrative funds to provide case management. More than half of the states responding to our survey reported the shortage of administrative funds as a challenge. One state noted that its adminis-

trative funds are usually exhausted by the end of the first quarter because of the amount of case management that is required for the program. A local official in one state we visited said that it uses Wagner-Peyser funds to pay for case management because not enough TAA administrative funds are received and TAA training funds cannot be used. As a result, only one case manager could be funded, and this one person had to cover three counties and serve approximately 1,000 workers. Moreover, officials in some of the states we visited cautioned that administrative funds should not be used for case management because case management is a program activity—any increase in the administrative limit to pay for this service could lead to the misconception that the program has too much overhead. These state officials noted that having the flexibility to use TAA training funds for case management would alleviate this concern.

In our recent report, we suggested that Congress may wish to consider allowing a portion of TAA training funds to be used for case management services to allow states greater flexibility in how they may use their TAA funds to provide services to workers. Labor, however, contended that the WIA, rather than TAA, should finance case management. We agree with Labor that co-enrollment with WIA should be encouraged, but as our report points out, WIA funds are not always available to provide this service, especially during large layoffs. We believe that states would benefit from having the option to use a portion of their training funds to defray the costs of providing case management services to trade-affected workers.

Training Deadline Can be Challenging and Confusing

Efforts to enroll workers in training are sometimes hampered by the "8–16" training enrollment deadline—that is, the requirement that workers be enrolled in training within 8 weeks of certification or 16 weeks of layoff, whichever is later, to qualify for extended income support. Nearly three-quarters of the states responding to our survey reported that enrolling workers in training by the 8–16 deadline was a challenge. For example, one state noted that trying to enroll participants in training by the 8–16 deadline is particularly challenging when dealing with large layoffs because it is difficult to handle all the logistics, such as notifying workers and setting up appointments, for a large number of workers within the deadline. Moreover, officials in the four states we visited also indicated that the deadline is very confusing to workers. They told us that workers become confused about which point in time the 8 weeks or 16 weeks apply to and, as a result, are not sure when the clock starts and stops. We previously reported that about three-fourths of states responded that workers, at least occasionally, inadvertently miss the deadline and consequently lose their eligibility for extended income support.[7] In that report, we recommended that Labor track the ability of workers to meet the 8–16 deadline.[8] As of April 2007, Labor had not yet begun gathering information on the impact of the deadline. In our recent report, we suggested that in order to make it easier for workers to comply with the training enrollment deadline, Congress may wish to consider simplifying the deadline by specifying a single time period that commences when workers are laid off or petitions are certified, whichever is later.

Several Factors Limit Participation in the Wage Insurance and Health Coverage Benefits

Several factors, including a short deadline for getting a job and the cost of buying health coverage, may limit participation in two new benefits resulting from the TAA Reform Act of 2002. In our site visits, states reported that the requirement that workers must find a job within 26 weeks to receive the wage insurance benefit was the major factor preventing more workers from taking advantage of the benefit. An additional factor that may limit participation in wage insurance by some older workers is the requirement that for a group of workers to be certified as eligible, the petitioning workers must have been laid off from a firm where the affected workers lacked easily transferable skills and a significant portion of those workers were aged 50 or over. While cost is one of the most significant factors limiting participation in the health coverage benefit, some states also reported that the health coverage tax credit program can be complicated and difficult to understand for both workers and local case managers.

Deadline to Find Employment and Other Requirements Limit Participation in the Wage Insurance Benefit

Few TAA participants take advantage of the wage insurance benefit. According to Labor officials, in calendar year 2006, 6,316 workers received the wage insurance

[7] GAO–04–1012.
[8] GAO–06–43.

benefit. The universe of workers eligible for wage insurance cannot be estimated because data are not available on the number of workers certified for TAA who are 50 years old or older and meet the other eligibility requirements. However, two-thirds of the states we surveyed reported that 5 percent or less of TAA participants received wage insurance in fiscal year 2006.[9] We previously reported in a study of five layoffs that less than 20 percent of the workers potentially eligible for the wage insurance benefit received it.[10] In this study, we found that workers' awareness of the wage insurance benefit varied greatly—many workers who were 50 years old and older were simply unaware of the benefit. While state or local officials told us they discussed the ATAA benefit at rapid response meetings or TAA information meetings, workers were often overwhelmed by the volume of information received after the layoff, and didn't necessarily recall some of the specifics.

Although officials in the states we visited for our most recent study believe the wage insurance benefit is beneficial to older workers close to retirement, two key factors limit participation. Officials said that one of the greatest obstacles to participation was the requirement for workers to find a new job within 26 weeks after being laid off. For example, according to officials in one state, 80 percent of participants who were seeking wage insurance but were unable to obtain it because they failed to find a job within the 26-week period. The challenges of finding a job within this time frame may be compounded by the fact that workers may actually have less than 26 weeks to secure a job if they are laid off prior to becoming certified for TAA. For example, a local case worker in one state we visited said that the 26 weeks had passed completely before a worker was certified for the benefit.

Another factor that may limit participation by some older workers is the requirement that, under the TAA Reform Act, for a group of workers to be certified, they must have been laid off from a firm where the affected workers lacked easily transferable skills and a significant portion were aged 50 or over. Labor interprets a "significant portion" as the lesser of 5 percent of the affected workforce or 50 workers at a firm with 50 or more workers, or at least 3 workers in a firm with fewer than 50 affected workers. Labor investigates each petition to see if the firm meets the requirements, and in fiscal year 2006, nearly 90 percent of TAA-certified petitions were also certified for the wage insurance benefit. Labor officials said that eliminating this step of the TAA certification process—that is, allowing any TAA-certified workers who meet the individual eligibility criteria for the wage insurance benefit to participate—would decrease the agency's investigation workload somewhat and may increase participation in the wage insurance benefit.

Labor officials told us they are taking steps to overcome the lack of awareness of wage insurance and promote the benefit by informally encouraging states to ensure case workers talk about wage insurance during one-on-one case management sessions. Furthermore, in our most recent report, we suggested that in order to enable more workers to take advantage of the wage insurance benefit, Congress may wish to consider increasing the length of time workers have to become reemployed and eliminating the requirement that to be certified as eligible for wage insurance, the petitioning workers must have been laid off from a firm where the affected workers lacked easily transferable skills and a significant portion of those workers were aged 50 or over.

Cost Is a Key Factor Limiting Participation in the Health Coverage Benefit

The high cost of the health coverage benefit to participants is the greatest barrier to higher participation. State officials said that many laid-off workers cannot afford to pay 35 percent of their health care premiums while their primary income is unemployment insurance benefits. IRS officials reported that the workers' 35 percent share is among the primary barriers to participation in the benefit. For example, in the four states we visited, the average monthly premium for COBRA policies covering two or more individuals was about $800. The workers' out-of-pocket cost for COBRA coverage in these states would be nearly one-fourth of their monthly UI payment (see table 1).

[9] This percentage is based on the total number of TAA participants because the number of workers potentially eligible for the wage insurance benefit is not readily available.

[10] GAO–06–43.

Table 1: Comparison of Average Monthly Premiums

State	Average monthly UI payment	Average monthly COBRA premium for two or more	Workers' 35 percent share of monthly premium	Percentage of monthly UI payment
California	$1,176	$777	$272	23
Massachusetts	1,465	895	313	21
Michigan	1,161	737	258	22
North Carolina	1,074	770	270	25
Average	1,219	795	278	23

Source: GAO analysis of UI data from states and average COBRA premiums from IRS.

State-qualified plans are similarly expensive and are often more expensive than COBRA coverage. Currently, 43 states have such plans, which, among other requirements, must provide for preexisting conditions. For example, in one state we visited, the premium for the state-qualified plan for a family was about $940 per month, while the average COBRA premium was about $740 per month. The worker's share of the state-qualified premium was about $330—or about 30 percent of the UI benefit—compared to about $260 for COBRA coverage.

In addition, there is currently a period of up to about 3 months where workers must cover the full cost of their health premiums before beginning to receive the advance credit, and these costs are not reimbursable. IRS officials reported that inability to pay the out-of-pocket costs between layoff and application for the advance credit is one of the reasons workers lose eligibility and may be denied the benefit.

While cost is one of the most significant factors limiting participation in the health coverage benefit, some states also reported that the health coverage tax credit program can be complicated and difficult to understand for both workers and local case managers. In our survey, nearly two-thirds of the states reported that limited IRS guidance on the benefit was still a challenge. Furthermore, during our site visits, some state and local officials said that they are not experts on the health coverage benefit and do not know enough details of the benefit to get information out to workers and to assist them with the enrollment process. In some local areas, case managers we interviewed said that they provide minimal information about the benefit and primarily refer workers to pamphlets or the IRS call center for details. We previously reported on the complexity of the health coverage benefit, noting that the process for workers to become eligible and enroll for the benefit was fragmented and difficult to navigate.[11] In that report, we recommended to several agencies, including Labor and IRS, that a centralized resource be made available at the time individuals must make decisions about purchasing qualifying health coverage and meeting other eligibility requirements. In February 2007, IRS began distributing to all workers covered by a petition a more simplified program kit for the health coverage benefit.

Certification Applied Industrywide May Increase Number Eligible, but Implementation Challenges Exist

Two alternatives are being considered that would expand the current firm by firm petition certification approach. 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. Another approach would require certification of an industry once a trade remedy had been applied.[12] An industry certification approach based on three petitions certified within 180 days would likely increase the number of workers eligible for TAA, but the extent of the increase depends upon the specific criteria that are used. Using trade remedies for industrywide certification could also result in expanded worker eligibility for TAA in a number of industries, but the extent is uncertain. As we identify in our forthcoming report, either approach presents some design and implementation challenges.[13]

[11] GAO, Health Coverage Tax Credit: Simplified and More Timely Enrollment Process Could Increase Participation. GAO–04–1029. (Washington, D.C.: September 30, 2004).

[12] Trade remedies include, for example, a duty imposed on an imported product because the industry had been injured by unfair trade practices.

[13] For more detailed information on our analysis, see our forthcoming report, *Trade Adjustment Assistance: Industry Certification Would Likely Make More Workers Eligible, but Design and Implementation Challenges Exist*. GAO–07–919. (Washington, D.C.: forthcoming).

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. 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.[14] 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.

The proposals for this approach would require that, once an industry meets the three-petition criterion, Labor investigate to determine whether there is evidence of industrywide trade effects. Not all 222 industries would likely be certified industrywide. In its investigation, Labor would use additional criteria and likely consider such factors as the extent to which an industry has been affected by imports, changes in production levels in the industry, or changes in employment levels.

The number of workers that would become eligible for TAA through an industry certification approach depends on what additional criteria are established. We used information from the 69 industries for which we had comprehensive data on petitions, unemployment, trade and production to estimate the potential increases in eligible workers programwide.[15] We found that, if there were no additional criteria beyond three petitions certified in 180 days, the overall number of workers eligible for TAA might have nearly doubled, from about 118,000 to about 233,000 in 2005. If the trade threshold were set at a 10 percent increase in the import share of the domestic market, the number of eligible workers might have increased by approximately 49 percent from 118,000 to about 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 to about 150,000. Finally, if the criterion was a 20 percent increase in the import share in any 1 year, the number of workers might have increased by about 22 percent, to 144,000. More stringent criteria would result in a smaller increase in the number of workers eligible for TAA.[16]

Certifying Industries Subject to Trade Remedies Could Increase Eligible Population, but the Extent Is Uncertain

Using trade remedies for industrywide certification could result in expanded worker eligibility for TAA in a number of industries. The number of workers eligible for TAA might increase under this approach in areas in which there have been few or no TAA petitions. For example, even though ITC found that domestic producers of certain kinds of orange juice had been injured by imports, there appear to be no TAA petitions for workers producing orange juice.[17]

However, the number of workers eligible for TAA may not increase substantially in some 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, for which hundreds of TAA petitions have been certified. In addition, industries with trade remedies may not necessarily have experienced many trade-related job losses because the International Trade Commission (ITC) does not focus on employment when determining whether an industry has been injured, according to an ITC official. 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.

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

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[14] These industries are classified according to the four-digit Standard Industrial Classification (SIC) System codes.

[15] Of 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. 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.

[16] Our analysis applied the same threshold to all industries. In practice, the criteria would likely vary by industry in order to take into account industry-specific patterns in trade and other economic factors.

[17] We cannot be certain about the degree of overlap between TAA petitions and trade remedy products because product information is not recorded in a standardized way in Labor's petitions 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 a dye known as "carbazole violet pigment 23" or "welded ASTM A–312 stainless steel pipe."

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 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 affected by trade, workers could lose their jobs for other reasons, such as the work being relocated domestically. In addition, using the same thresholds for all industries would not take into account industry-specific patterns in trade and other economic factors.

- *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. 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.
- *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.
- *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. 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, agencies could make use of the existing Worker Adjustment and Retraining Notification (WARN) notices to connect with workers.[18] However, in smaller layoffs in certified industries, or when firms do not provide advance notice, workforce agencies may not know that the layoff has occurred.[19]
- *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 industrywide certification. In addition, determining who should 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 states might prove challenging.

An approach using trade remedies presents some of the same challenges as an industry certification approach based on three petitions certified in 180 days.

Concluding Observations

Through our work on the Trade Adjustment Assistance Program since passage of the Reform Act in 2002 we have identified a number of areas where Labor and the Congress should take action. Taking steps to limit confusion, ease restrictions, and provide support for case management would facilitate workers' access to services

[18] The 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.

[19] In 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).

and benefits. States' ability to assist these workers would be enhanced by an improved process for allocating training funds.

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to any questions you or other members of the committee may have at this time.

Chairman RANGEL. Thank you, Doctor, and I apologize for the time limit, and I appreciate the thoroughness in which you evaluated the program, as well as giving us a report. I might add that all of your recommendations have been favorably received, and we will be pushing that in our package. My one question is did I understand you to say that you made these recommendations to the Department of Labor?

Mr. NILSEN. Yes.

Chairman RANGEL. Could you share with me whether they were receptive to them?

Mr. NILSEN. Many of them, they were. The one about changing the allocation formula, in their written comments to our report, they agreed they need to re-vamp the formula and better allocate funds. Allowing a portion of training funds to be used for case management was not a recommendation we could make to Labor because it is a statutory requirement, so we suggested that Congress change that and Labor did not say anything about that. When we talked about simplifying the training enrollment deadline, we said, "You need to gather some data to see how many people lose benefits just because they do not understand the rules." They really have not done anything about that yet.

Chairman RANGEL. Well, we intend to be working very closely with you, and we thank you for the thoroughness of your report.

Mr. NILSEN. Thank you.

Chairman RANGEL. Anyone seeking recognition? Thank you so much, and we look forward to—I am sorry, Jim?

Mr. MCDERMOTT. I have a quick question.

Chairman RANGEL. I am sorry.

Mr. MCDERMOTT. Dr. Nilsen, there is just one part you did not explain or I did not hear you say, a company in the case you gave applied for certification by the Department of Labor. Is that required by law?

Mr. NILSEN. Yes, either the company, a group of workers, the union or the state can actually petition.

Mr. MCDERMOTT. So, if at Boeing, Boeing is not going to go down but they may because they are doing their wing in China lay off several hundred people because of the loss of those jobs. The Boeing company or the Aerospace Mechanic Union, either one of them, can make the application?

Mr. NILSEN. Yes, yes. It does not have to be the whole company that goes down, it can be a portion of it if it meets their requirements.

Mr. MCDERMOTT. Then the individual worker then has—once that certification is made, they have to go and reapply, they have to apply?

Mr. NILSEN. That is right. What happens is once the petition is certified by Labor, Labor notifies the state, then the state goes back to the company and says, "Okay, I need the list of workers

who are being effected by this layoff." Then those individual workers are notified that they are eligible for TAA benefits, then they go into whomever providing those benefits, whether they are through the One-Stop or there is a separate TAA unit providing them with benefits. They have to apply for UI, et cetera.

Mr. MCDERMOTT. Okay, and before they can get the benefits, they have to then apply to the state to get their UI benefits?

Mr. NILSEN. That is correct.

Mr. MCDERMOTT. So there is a delay in some of that, there can be up to what, 40 days?

Mr. NILSEN. Usually it is about a week.

Mr. MCDERMOTT. Not to get unemployment benefits but for the Department of Labor to decide a petition?

Mr. NILSEN. Yes, on average it takes Labor 32 days to make a decision on a petition and three quarters of them are done within the 40 day limit. So, yes, there is——

Mr. MCDERMOTT. There is a maze that they have to go through.

Mr. NILSEN. Yes, that is right.

Mr. MCDERMOTT. Okay, thank you.

Chairman RANGEL. Mr. Herger?

Mr. HERGER. Thank you, Mr. Chairman. Thank you, Mr. Nilsen. Could you tell me how long the program has been going?

Mr. NILSEN. It has been in existence since 1962 when it was first created.

Mr. HERGER. Any idea or do we know how much has been spent on this program over the years?

Mr. NILSEN. I do not, I do not know. As I said, it was about $900 million last year.

Mr. HERGER. Okay, and if you could maybe provide a written—write an answer for us.

Mr. NILSEN. Okay, we can provide you that.

Mr. HERGER. I understand it is approximately $10 billion since 1984. Of course, the question is always, and I would like your opinion on this, is how effective is the program? Is it working? Is there a way of making it work better? Do we have data?

Mr. NILSEN. There was an evaluation, the last evaluation of this program was issued in 1993 and at that time the program looked very different, so it really does not apply to this program now. The Labor Department has funded additional research. It was originally supposed to be done by 2008, but I hear it has been delayed and it is not going to be available until 2011.

As I said and part of my statement is, there is not good performance information out of this program or information about what the program is achieving, which is why we did our in-depth case study analysis of five sites to find out what is going on, what is happening to all the workers, how many people come into the program, how many people use the services available through the program and then what happens to them? From what we found, it seems like there are good things happening as a result of this program, particularly, as I indicated, those who are less educated, people at the low end of the wage scale, seem to be the ones really benefiting and using the training in this program to get back into the workforce.

Mr. HERGER. Did your studies indicate any comparison between those who were not in the program and those who are in the program, whether there is a difference in how many——

Mr. NILSEN. No, no, hopefully, the Labor Department study will have a rigorous methodology with a control group.

Mr. HERGER. Well, I think one thing everyone agrees on it is crucially important that we work. Anyone who is out of work, for whatever reason, I think it has been brought up that probably only less than 3 percent is because of trade-related, but we have people that are out of work. We want to do everything we can to get them back into a job and prepare them for that job as rapidly as we possibly can. What I believe is our responsibility, if we are looking at expanding this program, we want to make sure that the program is working. We obviously do not want to put more money into a program that is not as effective as it can be and so this information is very important.

I thank you. I yield back.

Chairman RANGEL. Mr. Levin?

Mr. LEVIN. Just a couple of quick questions. By the way, before the 3 percent is repeated and repeated, if you go to many places, the relationship between trade and dislocation is far more than 3 percent. I just do not think we should use those figures to bootstrap our feelings that the importance, that this Committee does not have an important role to play in terms of trade policy and its impact on workers and businesses.

Let me just ask you a few quick questions. The new formula, the formula used by the Labor Department is within its discretion, is it not?

Mr. NILSEN. Yes, it is.

Mr. LEVIN. As you look at the chart on page 60, it is really quite striking in terms of the allocations of funds and it shows that—and then it is another page where the percentages, actually on page 58, in 2006, the number of states where zero was used, zero, and the number of states where more than 100 percent was used. For example, Iowa, 229 percent was used, I am not sure how much they had unobligated from previous funds.

Mr. NILSEN. Yes, according to our information, they spent all of their 2006 funds and obligated another, more than they got, one and a half times more than they got.

Mr. LEVIN. Now, you said that the Labor Department has agreed to re-formulate. When I look at the testimony, and that is why it is good, Mr. Chairman, that we have the testimony first and then we have the testimony of the Labor Department, so we kind of get this straight, as I read the testimony, it says, "Now that states have experience with the formula and the reserve process, the Department is reviewing the current funding formula and believes it is appropriate to consider changes." So, this testimony would indicate they are considering it, and that there is no commitment. One of the issues that we have to really look at is the issue of change in this formula.

Also, I think it was useful for Mr. Herger to ask you the question about effectiveness because there has been no oversight by this Committee or the Subcommittee, and we need more of it. Mr. Rangel has determined, and I think Mr. McCrery agrees, there is going

to be much more vigorous oversight, but your data that you were able to glean from five case studies would indicate that for many income groups, including people who perhaps are most in need of training and re-training when they are dislocated, that this program has had some real effect, no?

Mr. NILSEN. Yes, I would concur with that. Most of the people who seem to come into the program make use of it and their results are comparable to others in terms of placement and wage replacement to those with higher incomes and higher education people, front-office folks who have the networks.

Mr. LEVIN. Thank you.

Chairman RANGEL. Congressman Hall—Johnson? I did it again.

Mr. JOHNSON. Just call me Ralph.

Chairman RANGEL. Thank you so much.

Mr. JOHNSON. Thank you, sir. I just have a quick question. I understand that GAO recently completed an investigation into the feasibility of certifying petitions for TAA on an industrywide basis. Can you tell me what determinations were made and any specific barriers to certifying the entire industry?

Mr. NILSEN. That work is still underway. We provided some preliminary information to Congressman Rangel's staff and Congressman Smith's staff who requested this. But that report is currently out with the Department of Labor for comment, and we are hoping to issue that by the end of the month.

Mr. JOHNSON. What is your opinion on it?

Mr. NILSEN. I really cannot comment on it until that report comes out unless the Chairman wants to——

Mr. JOHNSON. Okay, that is all I have.

Chairman RANGEL. Mr. English?

Mr. ENGLISH. Thank you, Mr. Chairman. I wonder Mr. Nilsen—Dr. Nilsen, if you would perhaps comment on a couple of points. First off, there have been proposals put out to de-link benefits under TAA with actual trade flows, in other words, to make it much more of a generalized program without having to demonstrate an actual linkage to trade. Second of all, there have also been proposals to extend benefits to service workers. I wonder if you could comment on that and also on how one might best define service workers for purposes of this program? Doctor, your comments?

Mr. NILSEN. Well, unfortunately, we have not studied closely any of those three issues. Part of what I do also is to look at the Dislocated Worker Program under the Workforce Investment Act, which is the program that other workers, who are dislocated but not trade-certified, would go to for assistance. The benefits that are available are very different. Under WIA, there are training funds available but in general because of the limitations on the amount of funding in that program and the fact that it reaches so many people, the amount of funds that local areas use for training is much less and the kind of training people can get access to is different because their caps are so much lower. But, yet, out of the roughly $1.5 billion in that program, they spend about 40 percent on training and that is where service workers would go to.

I am not sure exactly how you would define, because we have not studied it, who is a service worker. I know, as was mentioned ear-

lier, the Labor Department recently because of a court case changed its definition a little bit on what is producing a good when makers of software—workers dislocated because software production went offshore. In the past software was seen not as a good and now it has been interpreted that it is a good. So, it is a difficult question, and we just haven't looked at it so I really cannot comment on it.

Mr. ENGLISH. Thank you, Doctor. Mr. Chairman, before I yield back the balance of my time, I would simply like to suggest that this might be a worthy point of further detailed study by this Committee and by the Subcommittee on Trade. I do think this is an area that we need to explore and get right. Thank you.

Mr. MCCRERY. Would you yield for just a moment, Mr. English?

Mr. ENGLISH. Certainly, I would be delighted to.

Mr. MCCRERY. Mr. Chairman, I would just like to submit for the record a compilation of data from the United States Department of Labor showing—illustrating that even though some states use more than their annual allocation of funding under TAA, that every state has excess funds in the reserve fund, which is an accumulation over the years, that they can tap into. So, I think this is useful information. Rather, than looking at a snapshot of just 1 year, because like in Louisiana after Katrina, obviously we had need for a lot of funding for a variety of things. But we still have some in the reserve fund that we can tap. So, this chart will show the total picture, not just the 1 year snapshot of the availability of funds to each state, and I would like to submit this for the record.

Chairman RANGEL. Without objection.

[The provided material follows:]

[Material is being maintained in the Committee files.]

Chairman RANGEL. Mr. English, what you have said allows me to ask Dr. Nilsen, who I am certain that you said in addition to your duties with this program, that you do study the non-trade-related dislocation. Mr. McCrery and I were successful in getting the Administration, as a part of their overall policy to have our Nation look at trade in a different way and not just job loss, I am asking you to please get in touch with our staff because we are going to need your thinking as we work with DOL and perhaps go outside of our jurisdiction in putting together a program that would do just that. So, I cannot thank you enough for the hard work that you put in this and thank you so much for your patience.

Mr. NILSEN. Thank you, Mr. Chairman. We will work with your staff and Mr. McCrery's staff as well.

Chairman RANGEL. Look forward to it. The next panel, Tammy Flynn, Trade Adjustment Assistance state coordinator, Bureau of Workforce Programs, Department of Labor and Economic Growth in Lansing; Virginia Ponser Flanagan, consultant, Campbellsville University, Campbellsville, Kentucky; Curtis Morrow, Workforce Development Unit manager, North Carolina Employment Security Commission, Raleigh, North Carolina; James Fusco, East Brunswick, New Jersey. I call on Congressman Altmire, who would want to be extended the courtesy of introducing another witness from Freedom, Pennsylvania. Is Congressman Altmire here? Thank you, you are recognized.

Mr. ALTMIRE. Thank you, Mr. Chairman, for the opportunity to introduce my constituent, Mr. John Bolas, from the Fourth Congressional District in Pennsylvania. I know that the Committee is talking about trade adjustment and the TAA program, and I can think of no better example than the story you are going to hear from Mr. Bolas.

He entered the U.S. Army after graduating from high school. He worked in construction afterward in a number of temporary jobs, then went to work for a company called Anchor Hocking Specialty Glass, which is in the district that I represent. He worked there for 7 years, lost his job due to foreign competition, what the Committee is talking about today. He re-trained due to the TAA program, and he is now an occupational therapist. You will hear his story. He is making a great deal more money than he was making before. He enjoys his work and really is a wonderful case study for the program. So, I am very happy to introduce him, and I appreciate the opportunity to do so. Thank you.

Chairman RANGEL. Well, we are glad that you have taken the time to do that. For all of the witnesses, this Committee is deeply appreciative of your taking the time to share your experience with us so that we can support what works and have a better idea of what we have to correct. All of you will have 5 minutes to put your statement in the record, but the statements will be shared by all of the Members of the Committee.

We will start with Mr. Bolas from Freedom, Pennsylvania.

STATEMENT OF JOHN EDWARD BOLAS, JR., FREEDOM, PENNSYLVANIA

Mr. BOLAS. I want to begin by thanking Chairman Charles Rangel and the rest of the Committee members for this opportunity to share my experience with the TAA program.

My name is John Bolas. I live with my wife, Maria, my thirteen-year-old daughter, Johanna, and my 10-year-old son, John III. We live in Economy, Pennsylvania, which is a small town on the Ohio River not far from Pittsburgh, roughly twenty-five miles.

I went into military service right out of high school. They trained me for twelve weeks to be a radio teletype operator. There were no jobs available like that whenever I left the service. I worked for several construction companies in the South before coming back to Pennsylvania. After several temporary jobs, I finally got a job at Anchor Hocking Glass in Myakka at the beginning 1998.

At Anchor Hocking I worked my way up from general laborer to a position in the shipping department that paid $12.75 an hour, and we had family benefits, such as health insurance. During my time there, we had more weeks of shutdowns intermittently due to losing customer contracts to foreign imports. The most I ever made in 1 year was $25,000. Due to foreign imports, I finally lost that job in 2005. I immediately looked for work but glass jobs were being eliminated and plants were closing down. I tried to fall back on my construction experience, the state job centers called Career Links had no jobs for someone with my skills available at that time. So, I realized I needed to learn a new skills.

Because my workplace was eligible for the TAA program, I knew I could get help with re-training. For most of my life I had been

interested in helping people with disabilities. My father was a Vietnam veteran and active in different groups, such as the Disabled American Veterans. My sister and I used to volunteer at fairs and parades collecting donations to support those groups. Then my dad had a stroke, and I learned about rehabilitation from after he had a stroke because he had both occupational therapy and physical therapy.

But with a family and no education beyond high school, I did not see any way to do that. The Trade Adjustment Assistance program gave me an opportunity. Through the state's Career Link I checked out the projections for income and job openings and decided on occupational therapy. I like this field because they focus on getting people to return to their everyday living activities. I knew that even with help it would take lots of sacrifice from my family and myself, but it seemed the only way I could get into permanent work. School was hard, it took lots of concentration and homework.

There were many long nights and days of studying, but my family helped and my wife made extreme sacrifices to take care of many of the home issues as she could. The closest school for me was in downtown Pittsburgh, 25 miles from my home. It involved 18 months of class work and 4 months of field work. The TAA paid for almost everything, which included tuition fees and books, the books alone were over $1,000. It covered uniforms, immunization shots and so forth.

Having the school paid for was essential, but there were still other issues, travel expenses, which was over 50 miles round trip 5 days a week, and also parking in downtown Pittsburgh really add up. There is a group in Pennsylvania that fights for unemployed workers called Mon Valley Unemployed Committee. They helped all my co-workers and myself get benefits. My wife called them and explained to them that—they explained to her that the benefits only covered 100 mile commutes, we were only 50. They suggested we try the Welfare Department, which they in turn paid us 12 cents a mile, and they paid for my parking, which was $5 a day.

A more serious problem for my family was the loss of our health insurance. The plan for my former employer would have cost more than $1,100 a month. The TAA program HCTC benefit would have cost me $389 per month. My income from my unemployment benefits was only $1,400 a month. We simply could not afford the premium under the HCTC program. My children ended up getting the CHIP program while me and my wife went without insurance at all.

As it was, we used up all of our savings, including our children's college fund. We almost lost our house but thanks again to the assistance from the Mon Valley Unemployed Committee, we held on to it. My wife's parents and other family members also helped us out with that situation.

Now, after 2 years of training to be an occupational therapist, I have job offers for $17.50 an hour for full time and expect to start out at more than $35,000 a year with benefits that cover my family. I graduated last month and will get my papers allowing me to start work within a couple of weeks.

Today, I sit before you with a hopeful future and thanks for all that Congress has done to help dislocated workers like myself make a better future for our families and ourselves.

[The prepared statement of Mr. Bolas follows:]

Prepared Statement of John Edward Bolas, Jr., Freedom, Pennsylvania

I want to begin by thanking Chairman Charles Rangel and the rest of the committee members for this opportunity to share my experience with the TAA program.

My name is John Bolas. I live with my wife Maria, thirteen-year-old daughter Johanna and 10-year-old son John the III. We live in Economy, Pennsylvania, which is a small town on the Ohio River not far from Pittsburgh.

I went into military service right out of high school. They trained me for 12 weeks to be a radio teletype operator. There were no jobs like that when I got out. I worked for construction companies in the South before coming back home to Pennsylvania. After several temporary jobs I finally got a job at Anchor Hocking Glass in the beginning of 1998.

At Anchor Hocking, I worked my way up from general laborer to a position in the shipping department that paid $12.75 an hour with family health insurance. We had more weeks of shutdowns each year as customer contracts got harder to get due to global competition. The most I had ever made in a year was $25,000.

Due to imports, I then lost that good job in 2005. I immediately looked for work. Glass jobs were being eliminated and plants closing everywhere around me. I tried to fall back on my construction experience but there was no construction in our area. The state job centers, called Career Links, had no jobs available for someone with my skills.

Then I realized that I needed to learn new skills. Because my workplace was eligible for the TAA program, I knew I could get help with retraining. For all my life I had been interested in helping people with disabilities. My dad was a Vietnam Veteran and active in groups including the Disabled American Veterans. My sister and I used to volunteer at fairs and parades collecting donations to support those groups. Then my dad had a stroke and I learned a lot about rehabilitation and decided I'd like to work in that field.

But with a family and no education beyond high school, I didn't see any way to do that. The Trade Adjustment Assistance program gave me that opportunity. Through the state Career Link I checked out the projections for income and job openings and decided on Occupational Therapy. I liked this field because they focus on getting people able to return to their everyday living activities.

I knew that even with help, it would take lots of sacrifice by my family and myself but it seemed the only way I could get into permanent work. School was hard. It took lots of concentration and homework. I got some remedial help in math but there were many long days and nights of study. My family helped, my wife tried to take care of as much of the issues at home as she could.

The closest school for me was in downtown Pittsburgh, 25 miles from my home. It involved 18 months of classroom and 4 months of fieldwork. The TAA program paid for just about everything. Tuition, fees, books ($1000+), uniforms and immunization shots were all covered.

Having the school paid for was essential. But there were other issues. Travel expenses, over fifty miles roundtrip 5 days a week and parking in downtown Pittsburgh really add up. There is a group in Pennsylvania that fights for unemployed workers called the Mon Valley Unemployed Committee that helped all my co-workers get benefits. My wife called them and they explained to her that the program only pays for travel if the commute is more than 100 miles daily. They suggested we could try the state Welfare Department for help. We got 12 cents a mile from them and they paid my parking at $5 a day and I only had to walk a mile to and from the parking lot.

A more serious problem for my family was the loss of our health insurance. The plan from my former employer would have cost more than $1100 per month. The TAA program HCTC benefit would have cost me $389 per month. My income from my unemployment benefits was $1400 per month. We simply couldn't afford the premium under the HCTC program. My kids got the CHIP program and my wife and I went without.

As it was, we used up all of our savings, and our kids college fund. We almost lost our home but thanks again for the assistance from the Mon Valley Unemployed Committee, we held on to it. Also parents and other family members helped us out.

Now, after two years of training to be an Occupational Therapist Assistant I have job offers for $17.50 an hour for full time work and expect to start at more than

$35,000 a year with benefits that cover my family. I graduated last month and will get my papers allowing me to start work in a couple weeks.

Today I sit before you with a hopeful future and thanks for all that Congress has done to help dislocated workers like myself to make a better future for our families and ourselves.

Chairman RANGEL. Thank you, Mr. Bolas. I wish we could legislate the guts that you and your wife had to overcome that setback. That is a great story and it shows what we can do.

I would like to recognize Mr. Levin for the purpose of introducing the next witness.

Mr. LEVIN. Tammy Flynn, Tammy has been involved in these programs for a long time and is now working for the Department of Labor and Economic Growth. We had a chance to say hello briefly, so on behalf of all of us, welcome.

Chairman RANGEL. You may proceed, Ms. Flynn.

STATEMENT OF TAMMY FLYNN, TRADE ADJUSTMENT ASSISTANCE STATE COORDINATOR, BUREAU OF WORKFORCE PROGRAMS, DEPARTMENT OF LABOR AND ECONOMIC GROWTH, LANSING, MICHIGAN

Ms. FLYNN. Thank you, Chairman Rangel and all of the Committee members for the invitation today. My name is Tammy Flynn. I am a Trade Adjustment Assistance program coordinator with the State of Michigan. I have been working with TAA program for the last 7 years. For 5 years, I worked as a local TAA case management for a local One-Stop service center in Lansing, Michigan. I am very honored to appear before you today to discuss the important issues affecting trade and the workers and families in Michigan.

I want to tell you just a little bit about Michigan's situation. The state does continue to face significant challenges as the automotive industry undergoes dramatic changes. In Michigan, 36 percent of all manufacturing jobs are tied to the auto industry. Many of you have heard about the layoffs and the plant closings that our major industries are facing, and the Michigan workers and families are really the faces of those news stories that you read and hear about. These are the same working families that help build the foundation of this country and now they are really in need of our support.

Michigan's Governor, the legislature, and other state leaders are leading the state through a coordinated strategy to transform our economy and ensure that workers have jobs and can support their families. TAA is such a critical part of that strategy and a vital safety net for our workers. There is a great need for an improved TAA program in Michigan. Between 2005 and Fiscal Year 2006, Michigan's approved TAA certifications increased by 60 percent. At the end of 2006, Michigan had over 10,000 TAA participants and as recent as April of this year the number increased to almost 13,000 participants.

I am here today to really represent the stories behind those numbers and share my experiences working with these workers. Michigan workers truly need and use the TAA program. In the last Fiscal Year, Michigan received $6.6 million as our base allocation for TAA with approximately 5,000 TAA participants enrolled in train-

ing, but we had over 13 million in contractual obligations for training and services. Michigan received the seventh largest base allocation that year even though we had the third highest number of certifications and experienced that pattern of certification increases over the previous 2 years. In Fiscal Year 2007, we received $7.1 million as our base allocation. While this was an increase, it still was insufficient funding.

As Dr. Nilsen mentioned in the previous panel, there are some states receiving funding that they do not need. Michigan is one of the states that truly needs and uses their funding. This situation constantly forces Michigan to focus great energy and precious resources on developing TAA reserve funding requests that the Department of Labor has to review. The gaps in funding really takes a toll on the worker, it provides interruptions in training, on a state level it becomes a planning issue, it takes away from other TAA administrative duties that are vital to the operation of TAA. It also has the possibility of creating waiting lists. As we know, when a worker sits on a waiting list for months and months, they are actually using up the payment benefit that they really truly need while they are in training. So, if at the end of the waiting list, they can enter into training, they may not even be able to pursue that at that time because of lack of the income support.

It has taken from one to 5 months to receive these additional funding reserve requests for us to be able to get those into the hands of the workers. There really does not appear to be a justifiable basis for Michigan's inadequate funding situation when we have clearly demonstrated our need for up front and adequate funding. One solution to this would be to create a new base allocation formula that more clearly reflects the current status of each state's TAA program and is not dependent on prior year expenditure and certification data. Our workers really suffer when there is inadequate funding.

There are some other administratively burdensome requirements that are placed on TAA coordinators at the state and local level that increase time and paperwork and it takes away time from spending with workers. One example of this is the time used to produce and manage training waivers. In order to receive the TAA payment benefits, training waivers waive the restrictive deadlines that requires workers to be enrolled in training at least 8 weeks after the certification or 16 weeks from their layoff. In Michigan, this review process requires each worker to contact their local agency to continually assess that waiver. We looked at one Michigan TAA service center that had 164 open TAA waivers in April of this year and that service center spent almost $1,000 just returning the phone calls to those participants who were unable to make their own contact that month. So, that does not include the staff time that came before that and then the staff time and postage and different things like that to actually get the waivers back on track for that month. So, something that we are suggesting is that the Department of Labor could help the situation by extending the deadline for workers, possibly a 30/30 as opposed to an 8/16 or even lengthening the period of time required between the waivers to really ease up on the case management.

My experience has really shown that the success of the TAA program is dependent on the individual case management and career guidance that is provided to workers.

Chairman RANGEL. Ms. Flynn, you will have to summarize.

Ms. FLYNN. Okay. Really, I just want you to consider workers and families that have been negatively impacted by trade. TAA is really a vital piece of our response to those who are facing hardships due to these situations. I think I speak for all of my Michigan colleagues and the clients in Michigan when I say that we really look forward to your support making this program all that it should be for the workers and really making it truly available to them.

Thank you.

[The prepared statement of Ms. Flynn follows:]

Prepared Statement of Tammy Flynn, Trade Adjustment Assistance State Coordinator, Bureau of Workforce Programs, Department of Labor and Economic Growth, Lansing, Michigan

My name is Tammy Flynn and I am a Trade Adjustment Assistance Program Coordinator in the State of Michigan. I have been working with Trade Adjustment Assistance (TAA) and other workforce programs for approximately 7 years. Prior to my employment in Michigan's Department of Labor and Economic Growth I worked in one of Michigan's local workforce agencies located in Lansing, Michigan. I am honored to appear before you today with the opportunity to discuss the important issues affecting trade impacted workers and families in Michigan.

I'd like to start by telling you about Michigan's TAA program and the workers we serve. Michigan continues to face significant challenges as the American automotive industry undergoes dramatic changes. In Michigan, 36% of all manufacturing jobs are tied to the auto industry. Many of you have heard about the layoffs and plant closings that our major industries are facing, Michigan workers and families are the faces of those news stories that you read and hear about. These are the same working families that helped build the foundation of this country and they are now in need of our support as they attempt to transition into new livelihoods. Michigan's Governor, Legislature, and other state leaders are leading the state through a coordinated strategy to transform our economy and ensure that workers have jobs and can support their families. TAA is a critical part of that strategy and a vital safety net for our workers. There is great need for an improved and comprehensive TAA program in Michigan, between 2005 and 2006 Michigan's approved TAA certifications increased by 60%. At the end of 2006, Michigan had over 10,600 TAA participants and as recent as April 2007 that number increased to almost 13,000 participants.

I am here today to represent the stories behind those numbers and share my experiences providing services to TAA workers. In the last fiscal year, Michigan received $6.6 million as our base allocation for TAA with approximately 5,000 TAA participants enrolled in training and over $13 million in contractual obligations for training and services. Michigan received the 7th largest base allocation that year even though we had the 3rd highest number of TAA certifications and experienced a pattern of certification increases over the previous two years. In FY 2007, we received $7.1 million as our base allocation, while this was an increase it was still insufficient for the workers that we are serving and the number of new workers that we are enrolling in the system. This situation constantly forces Michigan to focus great energy and resources on developing TAA reserve funding requests that the Department of Labor has to review. These gaps in funding and the time it takes to resolve them often cause interruptions in worker training. When this happens we must lean on other funding sources that are also limited or create waiting lists, which can decrease a worker's ability to take advantage of their TAA benefits.

There appears to be no justifiable basis for Michigan's inadequate funding situation particularly when we have consistently demonstrated our great need for upfront and adequate funding. One solution would be to create a new base allocation formula for states that more clearly reflects the current status of each state's TAA program and is not dependent on old expenditure and certification data.

Additionally, there are administratively burdensome requirements that are placed on TAA coordinators at the state and local level that increase staff time and paperwork and take away from the time spent assisting workers. One example of this is

the administrative time used to produce training waivers. Training waivers waive the mandatory and very restrictive deadlines that require workers to be enrolled in training at least 8 weeks after TAA certification or 16 weeks after their layoff. The Department of Labor requires local workforce agencies to review waivers every 30 days. In Michigan, the review process requires each worker to contact their local agency in order to assess their waiver status. One Michigan TAA Service Center was managing 164 TAA open waivers in April 2007. The Center spent $932 on returning phone calls to those participants who were unable to make contact that month. The Center spent additional funds on postage for mailing information to those who could not be reached by phone. This is costly for our local workforce agencies that do not have the administrative funds or resources to spare. The Department of Labor could help this situation by extending the deadline for workers to enroll in training, which could potentially decrease the amount of workers needing waivers. The Department of Labor should also support local agencies by lengthening the period of time required to review remaining waivers.

My experience has shown that the success of the TAA program is dependent on the care and guidance that workers receive. Imagine the state of mind for workers who have spent their entire careers in one occupation and have seen their lives disrupted because of layoffs or plant closings. Many of our TAA clients require significant case management and individual time. Recently, when I visited a local workforce agency a woman approached me in tears and told me that while she wanted the opportunities TAA provided, she really needed direct guidance in order to make sense of the deadlines and rules. As I walked her around the Service Center, it became clear that every TAA Case Manager was completely booked with appointments. TAA can offer great solutions to workers but only if they understand how to use it effectively. More funding within TAA for case management is necessary to relieve the burden local coordinators are feeling and for workers to properly use it to re-train and gain employment.

In conclusion, I urge you to consider the workers and families that have been negatively impacted by our nation's trade policy—particularly those in manufacturing states who have been hit hard and need help from our federal partners. TAA is a critical piece of our response to those who are facing hardships due to situations that are out of their control. I speak for my Michigan colleagues and our clients when I say that we look forward to your support in making this program all that it *should* be for the workers who so earnestly deserve a program that works for them and fits their unique needs. Thank you.

Chairman RANGEL. Thank you so much. The Chair recognizes Mr. Lewis from Kentucky for purposes of presenting our next panelist.

Mr. LEWIS OF KENTUCKY. Thank you, Mr. Chairman. I appreciate this opportunity. It is my privilege to introduce Virginia Flanagan and to welcome her to the Committee on Ways and Means. Welcome.

Whenever this Committee discusses issues related to trade and globalization, I often talk about the "Campbellsville comeback." In 2004, I was honored to have two of my colleagues from this Committee participate in a roundtable forum that we held in Campbellsville. Virginia was one of the key leaders in this small community in the effort to rebound after a plant closing.

She was the director of the Campbellsville University Tech Training Center and was a big part of that comeback transition. Her efforts helped many of the residents quickly move into a new workforce. The "Campbellsville comeback" is truly and inspiring story, and I think we will all learn from Virginia's testimony today.

But, again, thank you again, Mr. Chairman, for allowing me to introduce Virginia.

Thank you.

Chairman RANGEL. You can proceed, thank you.

STATEMENT OF VIRGINIA PONSER FLANAGAN, CONSULTANT, CAMPBELLSVILLE UNIVERSITY, CAMPBELLSVILLE, KENTUCKY

Ms. FLANAGAN. Mr. Chairman and distinguished Members of the Committee, on behalf of Campbellsville University, Campbellsville and Taylor County and Central Kentucky, we appreciate and are very grateful to be able to share the story of the "Campbellsville comeback" and the essential part that Trade Adjustment Assistance played in this success story.

Congressman Ron Lewis has called Campbellsville a poster community for her economic recovery from the loss of Fruit of the Loom in 1997 and 1998 to the creation of 3,773 new jobs announced from October 1999 to December 2003.

Campbellsville for many years was considered a one-factory town and suddenly was facing a nearly 30 percent unemployment rate that would certainly have ripple effects over the local community and businesses in the community. The rural community is 40 miles from the most direct Interstate 65 interchange, you have got to come there on purpose. It is a 90 minute drive from the Louisville International Airport. In 2002, we had largely a working-class, high school educated workforce ill-suited for the high technology jobs. By 2007, Campbellsville has added nearly 3,800 jobs, a net gain of 600 from when the Fruit of the Loom layoffs began. The average weekly rate increased to $484 from $374 between 2005 and 1996. Per capita income from 1995 to 2004 increased to $21,771 from $16,081. That growth outpaced the state by a third. The unemployment averaged 4.9 percent in 2006, about where it was right before the Fruit of the Loom layoffs began.

Now, how does a rural community overcome these types of obstacles and have the Kentucky State Data Center rank Campbellsville as one of the fastest growing communities in Kentucky in 2003? John Chowning, former Chairman of the Team Taylor County, said Campbellsville had three keys to its success: Taking a mid-19th century approach to economic development and turning it to a 21st century opportunity; the development of Kentucky Highway 210; and lifelong learning opportunities, which Campbellsville residents learned that they could be lifelong learners. Chowning said, "We have coined the phrase 'Team Taylor County,' meaning the city, the county, the university, the schools, the economic development organizations." Many people thanked in Taylor County a crisis response team of local businesses, community and academic leaders for bringing the county back. The team has seen its strategies studied by international scholars looking for ways to cope with globalization downsizing.

"Campbellsville University responded quickly to the needs of those who lost their jobs," Chowning said. It was crucial that we be able to move quickly. Campbellsville University established a Technology Training Center with a $2 million grant obtained with the help of Senator McConnell. U.S. Congressman Ron Lewis and Senator Bunning have also played roles for opportunities for the training.

The Training Center allows companies to customize training. I might interject here, gentlemen, we have been talking about training, it is important. I think companies want trainable people not

people who are ready to work necessarily on specific jobs, but people who are ready to be trained for a specific job. CUTT works with industries to train employees in a range of technology skills, including several computer industry certification. It also provides space for companies to train their employees on new equipment before it is installed.

Two of the success stories from this era are Lana Wright and Karen Brockman, who were devastated when their jobs were discontinued. Wright, who had worked for Fruit of the Loom for 15 years said she and her husband and other family members worked there and the loss of the plant was devastating because they were unsure of their future, including health care. Brockman was employed at Fruit of the Loom for 9 years and she was both scared and excited when she lost her job. She and Wright were two of the 30 people who were chosen to work at Frost Arnet where they still are with jobs they love and are making a much better salary.

More recently in 2004 and 2005, the garment industries were closed in Albany in Clinton County, Kentucky, approximately 65 miles from the campus of Campbellsville. We offered a 2 year associate degree in administration technology to these workers in Clinton County. We were able with the assistance of TAA funding to have 46 laid off workers to graduate with a 2 year degree from Campbellsville University. We faced obstacles getting this done. One in particular is that many of these people lived in Tennessee and getting Tennessee to fund their training in Kentucky proved to be somewhat of an exercise but we got it done.

The importance of Trade Adjustment Assistance cannot be overemphasized in the "Campbellsville comeback." The specificity of TAA as it relates to manufacturing has been critical in revitalizing the economy in the Campbellsville Taylor County area. Not only has this funding aided in income growth but the opportunities for further education and training has improved the quality of life for its citizens. TAA has been an important tool in our toolbox with our comeback. Another tool was the formation of Team Taylor County and the way that the county and its area brought together the best possible leadership. We tried to put aside differences, such as politics, religion, et cetera, in order for a unified group.

Mr. Chairman, thank you very much for the opportunity to share the story of Campbellsville Taylor County and the surrounding area. I hope that our experience will illustrate the importance of funding through the Trade Adjustment Assistance program combined with an aggressive business development plan.

Thank you.

[The prepared statement of Ms. Flanagan follows:]

Prepared Statement of Virginia Ponser Flanagan, Consultant, Campbellsville University, Campbellsville, Kentucky

Mr. Chairman and distinguished members of the committee, on behalf of Campbellsville University, Campbellsville and Taylor County, and the central Kentucky region, we appreciate and are very grateful to be able to share the story of the "Campbellsville Comeback" and the essential part that Trade Adjustment Assistance played in this success story.

Congressman Ron Lewis called Campbellsville "a poster community" for her economic recovery from the loss of Fruit of the Loom in 1997–98 to the creation of 3,773 new jobs announced from October 1998 to December 2003. Campbellsville for many years was considered a one factory town and suddenly was facing a nearly

30% unemployment rate that would certainly have ripple effects over other local businesses and leaders in the community. The rural county is 40 miles from the most direct Interstate 65 interchange. It is a 90 minute drive to the Louisville International Airport and in 2002 had a largely working class, high school educated workforce ill suited for high technology jobs.

By 2007, Campbellsville has added nearly 3,800 jobs, a net gain of 600 from when the Fruit of the Loom layoffs began. The average weekly wage increased to $484 from $374 between 2005 and 1996. Per capita income from 1995 to 2004 increased to $21,771 from $16,081. That growth outpaced the state by a third. The unemployment rate averaged 4.9 percent in 2006, about where it was right before the Fruit of the Loom layoffs.

How does a rural community overcome these types of obstacles and have the Kentucky State Data Center ranked Campbellsville as one of the fastest growing cities in Kentucky in July 2003?

John Chowning, former chairman of Team Taylor County said Campbellsville had three keys to its success: taking a mid-19th century approach to economic development and turning it around to a 21st century opportunity; the development of Kentucky Highway 210; and life-long learning opportunities with Campbellsville residents learning they could be life-long learners. Chowning said "We coined the phrase Team Taylor County, meaning the city, the county, the university, the schools, the economic development organizations." Many people thank Team Taylor County, a crisis-response team of local business, community and academic leaders, for bringing the county back. The team has seen its strategy studied by international scholars looking for ways to cope with globalization's downside.

"Campbellsville University responded quickly to the needs of those who lost their jobs, Chowning said. "It was crucial that we be able to move quickly." Campbellsville University established the Technology Training Center with a $2 million grant obtained with the help of U.S. Senator Mitch McConnell. U.S. Congressman Ron Lewis and U.S. Senator Jim Bunning have also played roles in funding opportunities for Campbellsville University.

Campbellsville University Technology Training Center (CUTTC) allows companies to provide customized training. CUTTC works with industry to train employees in a range of technology skills, including several computer industry certifications. It also provides space for companies to train their employees on new equipment before it is installed.

Realizing thousands of workers would need to be retrained after the loss of Fruit of the Loom, the county tapped into job training funds like federal Trade Adjustment Assistance, geared for workers losing their jobs to the negative effects of trade. The assistance program also provides extended jobless benefits for a year instead of six months and even longer for displaced workers in school. 340 former Fruit of the Loom workers enrolled at Campbellsville University and of that 227 completed at least a two year degree program. The assistance program provided $10,000 in financial assistance over two years to students whose jobs were relocated abroad. The remainder of the private university's annual tuition, about $8,800 during the late 1990's came from about $2.25 million in aid the university provided. Campbellsville University took what the government would pay and discounted the balance. Some programs helped pay for books, gas and even child care. Workers got one-year certificates and two year degrees and even a few went through a four year program. A few even went for master's level degrees. Several hundred other students went to neighboring universities and community colleges.

Two of the many success stories are Lana Wright and Karen Brockman who were devastated when their jobs were discontinued. Wright, who had worked at Fruit of the Loom 15 years, said she and her husband and other family members worked there, and the loss of the plant was devastating because they were unsure of their future including health care. Brockman who was employed at Fruit of the Loom nine years, said she was both "scared and excited" when she lost her job and was forced to try something new. She and Wright were two of 30 people who were chosen to work at Frost Arnett, jobs they both love. "Campbellsville University embraced us," Wright said. Training was offered to them and other community members through various programs including Trade Adjustment Assistance which paid for their education through the university.

More recently during 2004–2005 two garment industries were closed in the Albany/Clinton County area approximately 65 miles from Campbellsville University, the small rural community faced the loss of a significant amount of jobs. Campbellsville University offered a two year associate degree in administration technology to these workers at a Clinton County site through the TAA program. With the assistance of TAA funding, 46 laid-off workers were able to graduate from Campbellsville University.

The staff at Campbellsville University faced many obstacles obtaining TAA funding for residents who lost their jobs in Clinton County, Kentucky but who reside in Fentress County, Tennessee. Improvement to the program could be made to remove barriers in special situations concerning issues such as residency.

The importance of Trade Adjustment Assistance cannot be overemphasized in the "Campbellsville Comeback." The specificity of TAA as it relates to manufacturing has been crucial in revitalizing the economy in Campbellsville/Taylor County and the surrounding areas. Not only has this funding aided in income growth, but the opportunity for further education and training has improved the quality of life for many citizens.

The "Campbellsville Comeback" was made possible using many tools in the toolbox. One tool in the toolbox was the TAA funding for training for those who had lost their positions due to plant closures. TAA funding was essential in the educational experience received by many laid-off workers. Another tool was the formation of Team Taylor County. Team Taylor County joined the city, the county, the university, the schools, the economic development organizations together to provide the best leadership possible for the community. Team Taylor County set aside differences such as politics, religion, etc. in order to form a unified group.

Thank you very much for the opportunity to share the story of Campbellsville/Taylor County and the surrounding area. I hope that our experience will illustrate the importance of funding through the Trade Adjustment Assistance program combined with an aggressive business development plan.

Chairman RANGEL. Thank you, Ms. Flanagan. It is a good story and it really helps us a great deal. We thank you for taking time to testify.

Curtis Morrow, Workforce Development Unit manager, North Carolina?

STATEMENT OF CURTIS MORROW, WORKFORCE DEVELOPMENT UNIT MANAGER, NORTH CAROLINA EMPLOYMENT SECURITY COMMISSION, RALEIGH, NORTH CAROLINA

Mr. MORROW. Thank you, sir.

Chairman RANGEL. Thank you.

Mr. MORROW. I will begin. My name is Curtis Morrow. I am the Workforce Unit manager with the Employment Security Commission out of Raleigh, North Carolina.

Chairman Rangel, thank you for the opportunity to speak with the Committee on our experiences in the administration of the Trade Adjustment Assistance in North Carolina. During the past several years, the impact of imports have had a devastating effect on job losses in North Carolina. Major layoffs in industries, such as textile and apparel and furniture, have contributed to tremendous job losses for North Carolina workers. The bright spot during this challenging time has been the utilization of the Trade Adjustment Assistance program and the funding needed for the re-training of the North Carolina workforce.

North Carolina currently leads the nation in trade-impacted layoffs, TAA petitions certified and has the largest number of workers enrolled in TAA training. In addition, for Fiscal Year 2006 through May of Fiscal Year 2007, the North Carolina Employment Security Commission has provided TAA program services for an average of 9,585 workers in re-training per month, and that does not include the additional 4,000 workers that are enrolled in the work search component of TAA. TAA program training expenditures through this same period, Fiscal Year 2006 through May of 2007, has totaled $21,559,311.

Today, my role is to strongly encourage you to make the changes that will provide more trade-impacted workers, such as the thousands in North Carolina, the opportunity to take advantage of a program that could provide a competitive edge as we compete in this global economy.

In order to provide a more comprehensive approach in assisting trade-impacted workers to be more competitive, we ask that you allow more flexibility in the definition of allowable cost in the TAA training and administration cost category. The present definition in the training cost category is extremely narrow and does not allow the opportunity to provide quality service. Training costs begin with the assessment of a worker's needs, career counseling, career exploration, labor market information on job availability and continues throughout training with this case management approach. We must change a trade-impacted worker's mindset. Today's workers must understand soft skills. Working in groups, completing several tasks, and displaying interest in additional education is a must for North Carolina's workforce to maintain a competitive edge. The redefining of TAA training costs to include these items will allow the opportunity for the Employment Security Commission to provide services to an even larger trade-impacted workforce.

Another critical part of assisting a trade-impacted worker is providing health insurance coverage for the worker and their family. North Carolina embraced the Health Credit Tax Credit Program as another major option of assisting effected workers and leads the nation in the number of workers taking advantage of the advanced payment option of 65 percent of the health insurance premium. From August 2003 through today, North Carolina has enrolled 7,295 effected workers, or more than 16 percent of the nation's total, HCTC population. This aggressive process to assist workers with their health insurance premiums began with the Pillowtex layoffs in August of 2003.

The process utilized for enrollment in HCTC at the Federal level results in a 30 to 60 day or longer delay or gap in the payment of initial health insurance premiums. In light of this, North Carolina submitted a request to the Employment and Training Administration of the U.S. Department of Labor and was awarded a Workforce Investment Act National Emergency Grant to provide bridge or gap-filler payments to effected workers. The process we established was that trade-eligible worker presents us with the insurance provider's invoice for health coverage, we then write a check for 65 percent payable to both the worker and insurance provider and send it to the worker. It is then the worker's responsibility to match that with 35 percent and submit the total payment to the insurance carrier. This provides for the timely payment of the original premium and ensures the worker of unbroken health care coverage. To date, we have provided from August 2003 through May 2007, 7,033 workers with bridge or gap-filler payments totaling $3,754,892.

These numbers represent a small number of effected workers and their families, but if we have allowed a few families to maintain their health insurance coverage, we are proud. However, even with this process, the 35 percent cost to families, particularly older workers and those with health issues, remains a crushing economic

blow. We strongly encourage the effected worker portion be reduced to 20 percent. While it will not provide the total solution, the reduced percentage for the worker will allow for the economic burden to be lessened.

I also ask that you continue to provide funding for the bridge or gap-filler payments. While it may be a challenge to states to administer, in my opinion, it is one of the most important value-added services we provide to these effected workers.

I hope I have raised some challenging issues and request that Congress give workforce professionals, like myself, the tools to continue to assist our workforce in meeting the competitive global environment.

Thank you, sir.

[The prepared statement of Mr. Morrow follows:]

Prepared Statement of Curtis Morrow, Workforce Development Unit Manager, North Carolina Employment Security Commission, Raleigh, North Carolina

Chairman Rangel, thank you for the opportunity to speak with the Committee, on our experience in the administration of the Trade Adjustment Assistance (TAA) program in North Carolina.

During the past several years, the impact of imports have had a devastating effect on job losses in North Carolina. Major layoffs in industries such as textiles and apparel, and furniture, have contributed to tremendous job losses for North Carolina workers.

The bright spot during this challenging time, has been the utilization of the Trade Adjustment Assistance (TAA) program and the funding needed for the retraining of the North Carolina workforce. North Carolina currently leads the nation in trade-impacted layoffs, TAA petitions certified, and the largest number of workers enrolled in the TAA training. In addition, for Fiscal Year, 06 and Fiscal Year, 07, North Carolina Employment Security Commission provided TAA program services to an average of 9,585 workers in retraining per month. TAA program expenditures during this two-year period totaled $21, 559,311. **(See Attachment A).**

Today, my role is to strongly encourage you to make changes that will provide more trade-impacted workers, such as thousands in North Carolina, the opportunity to take advantage of a program that could provide a competitive edge as we compete in this global economy.

In order to provide a more comprehensive approach to assisting trade-impacted workers to be more competitive, we ask that you allow more flexibility in the definition of allowable costs in the TAA Training and Administration Cost Categories. The present definition in the Training Cost Category is extremely narrow and does not allow the opportunity to provide quality service.

Training cost begins with assessment of a worker's needs, career counseling, and continues throughout training with case management. We must change a trade-impacted worker's "mindset". Today's workers must understand "soft-skills". Working in groups, completing several tasks, and displaying interest in additional education, is a must for North Carolina's workforce to maintain a competitive edge. The redefining of TAA Training Costs to include these items will allow North Carolina Employment Security Commission to provide services to an even larger trade-impacted workforce.

Another critical part to assisting a trade-impacted worker is providing health insurance coverage for the worker and their family. North Carolina embraced the Health Coverage Tax Credit (HCTC) program as another major option of assisting affected workers, and leads the nation in the number of workers taking advantage of the advanced-payment option of 65% of the health insurance premium. North Carolina has enrolled 7,295 affected workers or more than 16% of the nation's total HCTC population.

The process utilized for enrollment in HCTC at the federal level results in a 30 to 60 day, or longer, delay, or "gap," in the payment of the initial health insurance premiums.

In light of this, North Carolina submitted a request to the Employment and Training Administration of the U.S. Department of Labor and was awarded a Workforce Investment Act (WIA) National Emergency Grant (NEG) to provide "bridge" or "gap filler" payments to affected workers.

The process we established was that the trade eligible worker presents us with the insurance provider's invoice for health coverage. We then write a check for 65%, payable to both the worker and insurance provider, and send it to the worker. It is the worker's responsibility to match that with 35% and submit the total payment to the insurance carrier. This provides for the timely payment of the original premium and assures the worker of unbroken health care coverage. To date, we have provided 7033 workers with "bridge/gap filler" insurance payments totaling $3,754,892.

These numbers represent a small number of affected workers and their families, but if we have allowed a few families to maintain their health insurance coverage, we are proud. However, even with this process, the 35% cost to families', particularly older workers and those with health issues, remains a crushing economic blow. We strongly encourage the affected worker portion be reduced to 20%. While it will not provide the total solution, the reduced percentage for the worker will allow for the economic burden to be lessened.

I hope I have raised some challenging issues and requested that Congress give workforce professionals like myself, the tools to continue to assist our workforce in meeting the competitive global environment.

ATTACHMENT A

Employment Security Commission of North Carolina

Trade Adjustment Assistance Program (RAA)

Funding For Training

As of May 31, 2007

FY 07	Total Funding	Cumulative Expenditures	Total Obligations	Funding Available
Training	**12,237,219**	**4,982,282**	**12,974,300**	**(737,081)**

FY 06	Total Funding	Cumulative Expenditures	Total Obligations	Funding Available
Training	**16,577,049**	**16,577,049**	**16,577,049**	**0**

Summary For All Years				
	Total Funding	Cumulative Expenditures	Total Obligations	Funding Available
Training	**28,814,268**	**21,559,331**	**29,551,349**	**(737,081)**

Active Participants In Training (10/1/06–9/30/07)

October	9,098	April	9,968
November	9,412	May (2007)	9,534
December	9,783		
January	9,817		
February	9,714		
March	9,740		

Active Participants In Training (10/1/06–9/30/06)

October	9,600	April	9,645
November	9,978	May	9,117
December	10,330	June	8,893
January	10,041	July	9,194
February	9,753	August	9,278
March	9,613	September	9,190

Chairman RANGEL. Thank you, Mr. Morrow. Your testimony makes a lot of sense. Now it is my pleasure to recognize Mr. Fusco from the neighboring state of New Jersey. Thank you.

STATEMENT OF JAMES FUSCO, EAST BRUNSWICK, NEW JERSEY

Mr. FUSCO. Good afternoon, Chairman Rangel and Ranking Member McCrery. My names is James Fusco. I am a resident of East Brunswick, New Jersey.

First, I want to thank you and the Members of the Committee for the opportunity to testify today. I am a college graduate with a Bachelor's of Arts degree. After college, I pursued technical training in mainframe computer programming languages, specifically COBOL. I eventually became employed by the American Telephone and Telegraph Company, AT&T, as a mainframe applications developer. I was responsible for the design, coding and testing of mainframe application software. I had 13 years of service AT&T when in 1999 I and thousands like me were outsourced to IBM Global Services. Over the course of the next 3 years, many of us lost our jobs as IBM offshored them to Canada and India. My own job was offshored to Canada, and I became unemployed in May 2002.

In November 2002, several of my IBM colleagues and I filed a petition for certification under the Trade Act. In March of 2003, a negative determination was issued by the U.S. Department of Labor. The reason for the negative determination was that computer software was not considered an article within the meaning of the Trade Act. In the meantime, my regular unemployment benefits and their 13 week extension had run out, but I was continuing to receive ordinary training benefits as I was enrolled in a modest training program at a local community college. This training did not significantly enhance my employment prospects. I filed for reconsideration on the Department of Labor's negative TAA determination in April of 2003. In July of 2003, another negative determination was issued by the Department of Labor again for the reason stated earlier.

The next step after reconsideration was judicial review before the U.S. Court of International Trade. Feeling that I had neither the time, resources nor skill to pursue the matter further, I was prepared to let the matter drop when in September of 2003, from contacts with the Alliance at IBM and Washtec, I was put in touch

with Michael Smith, an attorney who was willing to pursue the matter pro bono. It was Mr. Smith and later Jean-Claude Andre, his associate, who decided to turn my request for judicial review into a class action lawsuit that would encompass all similarly situated workers.

By this time, I was no longer receiving even ordinary training benefits, and I began to spend down my savings. My COBRA entitlement ran out in November of 2003, and I had to purchase private medical insurance. Since no Trade Act certification was apparently soon forthcoming, I abandoned the idea of furthering my software skills with an intensive program of re-training. Many of my software development colleagues had left the information technology field altogether.

In November of 2003, I was fortunate through the personal contacts of a family member to obtain employment in Garden City Long Island. This job, though it was information technology related, was of a different nature than my former employment. It also paid only about 80 percent of my previous salary and required 5 hours of commuting everyday from East Brunswick, New Jersey to Garden City Long Island.

In July of 2005, a hearing was finally held on our TAA certification before the U.S. Court of International Trade and the case was remanded to the Department of Labor, which again issued a negative determination in December of 2005 and again for the same reason.

In November of 2005, I began work as a software consultant contractor in New York City. This position was better paying and more in line with my skills than the job in Garden City. It also required less of a daily commute.

In March of 2006, the Department of Labor filed a request for voluntary remand and finally certified us, the IBM workers, as eligible for Trade Adjustment Assistance benefits. They finally agreed with us that computer software was an article within the meaning of the Trade Act, albeit an intangible one. This decision came almost exactly three and a half years after our original petition in November of 2002. As I was working at the time, I decided not to pursue TAA benefits.

In February of 2007, my software contract in New York City having run out, I again became unemployed. It was then that I began to investigate TAA benefits and had almost decided on a training program, but I stopped when I started my most recent job on June 4th of this year.

In short, had Trade Act certification been granted to us in a timely manner, I would have pursued a more intensive and comprehensive program of training and would have had the opportunity to compete for jobs involving newer programming skills like JAVA and.Net. I would never want what happened to me and my IBM colleagues to happen to anyone else. Had the Department of Labor recognized sooner that changing technology had put software workers in the same position as the manufacturing workers that the Trade Act was originally written to protect, we would have better been able to make use of its benefits. A GAO study states that 40 percent of TAA petitions are denied because the Department of

Labor does not regard what the workers produce as an article within the meaning of the Act.

How many people are there out there who do not have the time and persistence to pursue this matter as I did? If I become unemployed again in the future, I intend to avail myself of the benefits of our TAA certification, which was so long in coming.

Thank you.

[The prepared statement of Mr. Fusco follows:]

Prepared Statement of James Fusco, East Brunswick, New Jersey

Good morning, Rangel and Ranking Member McCrery. My name is James Fusco. I am a resident of East Brunswick, New Jersey.

First, I want to thank you and the rest of the committee for the opportunity to testify today.

I am a college graduate with a Bachelor of Arts degree. After college, I pursued technical training in mainframe computer programming languages, specifically COBOL. I eventually became employed by the American Telephone and Telegraph Company (AT&T), as a mainframe applications developer. I was responsible for the design, coding and testing of mainframe applications software.

I had thirteen years of service with AT&T. In 1999, I and thousands like me were outsourced to IBM Global Services. Over the course of the next three years, many of us lost our jobs as IBM offshored them to Canada and India. My own job was offshored to Canada, and I became unemployed in May, 2002.

In November of 2002, several of my IBM colleagues and I filed a petition for certification under the Trade Act. In March of 2003, a negative determination was issued by the U.S. Department of Labor. The reason for the determination was that computer software was not considered an article within the meaning of the Trade Act.

In the meantime, my regular unemployment benefits and their 13 week extension had run out, but I was continuing to receive ordinary training benefits as I was enrolled in a modest training program at a local community college. This training did not significantly enhance my employment prospects.

I filed for reconsideration on the Department of Labor's negative TAA determination in April of 2003. In July of 2003, another negative determination was issued by the U.S. Department of Labor, again for the reason stated earlier.

The next step after reconsideration was judicial review before the U.S. Court of International Trade. Feeling that I had neither the time, resources, nor skill to pursue the matter further, I was prepared to let the matter drop, when in September of 2003, through contacts with the Alliance@IBM and WashTech, I was put in touch with Michael Smith, an attorney who was willing to pursue the matter pro bono.

It was Mr. Smith, and later Jean-Claude Andre, his associate, who decided to turn my request for judicial review into a class action lawsuit that would encompass all similarly situated workers.

By this time, I was no longer receiving even ordinary training benefits, and I began spending down my savings. My COBRA entitlement ran out in November 2003, and I had to purchase private medical insurance.

Since no Trade Act certification was apparently soon forthcoming, I abandoned the idea of furthering my software skills with an intensive program of retraining. Many of my software development colleagues left the information technology field altogether.

In November of 2003, I was fortunate, through the personal contacts of a family member, to obtain employment in Garden City, Long Island. This job, though it was Information Technology related, was of a very different nature than my former employment. It also paid only about 80% of my previous salary, and required 5 hours of commuting every day, from East Brunswick New Jersey to Garden City, Long Island.

In July of 2005, a hearing was finally held on the our TAA certification before the U.S. Court of International Trade, and the case was remanded to the Department of Labor, which again issued a negative determination in December of 2005.

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In short, had Trade Act certification been granted to us in a timely manner, I would have pursued a more intensive and comprehensive program of training, and would have had the opportunity to compete for jobs involving newer programming skills like Java and.Net.

I would never want what happened to me and my IBM colleagues to happen to anyone else. Had the Department of Labor recognized sooner that changing technology had put software workers in the same position as the manufacturing workers that the Trade Act was originally written to protect; we would have been better able to make use of its protection.

A GAO study states that 40% of TAA petitions are denied because the Department of Labor doesn't regard what the workers produce as an article within the meaning of the Trade Act. How many people are there out there who don't have the time and persistence to pursue this matter as I did?

If I become unemployed again in the future, I intend to avail myself of the benefits of our TAA certification which was so long in coming.

Thank you.

Chairman RANGEL. Thank you and let me thank this panel for the very informative information. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman. I just have one question. For those of you who are involved in trying to help workers get assistance, as you undoubtedly know, there are a variety of programs out there designed to assist unemployed workers. Do you make an effort to combine TAA with other benefits such as those under the Workforce Investment Act and things like that?

Ms. FLYNN. I can respond to that just in terms of Michigan. Yes, we do. All of our TAA service providers are located in the One-Stop service centers, which Wagner-Peyser funds. Also the Workforce Investment funds are available, but we do not mandate co-enrollment with the Workforce Investment Act just because that is such a precious resource, and we do not want to see TAA workers having to compete with the dislocated workers. In some One-Stop service centers, they do a lot of co-enrollment and it works well for them, but we just see that as being a separate issue in terms of not having enough to go around.

Ms. FLANAGAN. Sir, if I might add?

Mr. MCCRERY. Sure.

Ms. FLANAGAN. In Kentucky, we try to combine those opportunities also, not so much the funding but the services. For example, we are able to use Workforce Investment Act caseworkers to help us with our TAA money. By combining effort, we think we have more money to go around for actual training.

Mr. MCCRERY. So, by utilizing the Workforce Investment Act money, you are able to do case management for the TAA?

Ms. FLANAGAN. Yes, we are. In particular, that worked well in the Clinton County situation that I referred to. We had a great hodgepodge of different needs coming into that one project and through both Workforce Investment Act and TAA we were able to meet their needs.

Mr. MORROW. Sir, in North Carolina, we use co-enrollment and have for a long period of time, both TAA and the WIA funds. The concern comes in that your TAA funding in a lot of cases is handled locally. In North Carolina, we have such trade-impacted layoffs, we are not able to maneuver those funds as needed. So, in a lot of cases, everybody is not on the same page of the hymn book. I think if it was—if the availability was there in all states, it would be great but TAA training, the funding provides for a longer term training and it's a specific group where your WIA funding is a larger base. But we have used it in North Carolina. In fact, that is the only way that we have been able to do what we have been doing in working with dislocated workers and trade-impacted workers because of our lack of funding, as the young lady from Michigan mentioned, for TAA.

Mr. MCCRERY. Thank you.

Mr. LEVIN [Presiding]. Thank you, Mr. McCrery. The gentle lady, the congresswoman from Ohio?

Ms. TUBBS JONES. Mr. Chairman, thank you very much. There are so many areas that I would want to explore with regard to TAA assistance. I have in my hand and would like to have it placed in the record a report by Policy Matters, an organization in Ohio that does a lot of work but this is specifically focused on international trade and job loss in Ohio 2007.

I want to focus my questions or my comments to Mr. Fusco. In the report that was done by Policy Matters, and I am going to just read one section because it speaks to the very issue that you spoke to about being denied a certification in the process of the appeal. But in this report, it specifically quotes a case, and let me just read without using up all my time. The TAA petition process hinges on the U.S. Department of Labor's thorough investigation. Unfortunately, this does not always happen. In an August 2006 decision, former employees of BMC Software versus the U.S. Secretary of Labor, the U.S. Court of International Trade delivered a scathing review of the U.S. Department of Labor's handling of TAA petition investigations in general and concluded that the TAA system is fundamentally broken. The Court goes on to say, "The agency's persistent failure to verify the accuracy of the information on which it relies, as well as its pattern of turning a blind eye to obvious inconsistencies and discrepancies in the record before it, is beginning to verge on contempt for administrative and judicial process and does a grave disservice to the hardworking men and women of this country. Extrapolating workers, roughly 90 percent, rate of success before the Court to the hundreds of TAA petitions that are denied but not appealed every year suggests that the Labor Department's failure to properly investigate petitions is routinely depriving thousands of U.S. workers of the TAA benefits to which they are legally entitled. The Labor Department should be haunted by the fact."

I just want to give you another opportunity because in my country, Cuyahoga County, Ohio, I have some statistics from this report, there were some 61 petitions accepted with 6,800 workers in this area. The fight to have to have enough money to withstand the time period is just absolutely outrageous. To the other of you on the panel, thank you for coming, but I really wanted to focus in on this specific issue.

Mr. FUSCO. Well, you have just about said it all. At the hearing before the U.S. Court of International Trade, the judge, Judge Barzilay I believe, made the remark that this had not been the first time that TAA certification had been remanded to Department of Labor. It was common knowledge at the time, that there was a great percentage of these cases being remanded to the Department of Labor for just the reasons you specify. So, I do not have the actual statistics on it but just verbal commentary.

Ms. TUBBS JONES. I thank you for the time. That was the area I really wanted to focus on. It is clear that as we go through this process of looking at Trade Adjustment Assistance, we must clearly involved in what is the process by which the Department of Labor makes a determination or does not, and we need to make sure that the worker gets the just support that they need in order to establish claims.

I thank you and yield back the balance of my time.

Mr. LEVIN. Thank you very much for your salient point. Mr. Herger?

Mr. HERGER. Thank you, Mr. Chairman. I want to thank each of our witnesses. Again, it is so important that we get to that point that if there is anyone out of work for whatever reason we need to be doing everything we can to assist those individuals to find work. But I also think it is very important that we put into perspective the numbers of jobs, or at least the percentage, that are attributed to the loss of trade because trade is so incredibly important to many of us in my district, in California, to our state, to many states, that many times we tend to blame all job losses to trade.

I would like to quote from the 2006 Economic Report of the President prepared by the Council of Economic Advisors from page 161 in which it states: "Survey data from the Bureau of Labor Statistics show in layoffs between 1996 and 2004 less than 3 percent were attributable to import competition or overseas relocation." So, again, we want to be addressing this and certainly those of you that are here today and certainly the Chairman from Michigan are in areas where this is certainly a major, major area. But I think we need to again put it into perspective and also be so much aware of how crucially important trade is to our Nation as a whole.

Ms. Flanagan?

Ms. FLANAGAN. Yes?

Mr. HERGER. I mentioned in my introductory statement that I had the privilege of participating in a hearing that was in your state, in your area in 2004 and that was incredibly impressive what you did in an area where Fruit of the Loom had closed, was the number one employer, and a fairly small population——

Ms. FLANAGAN. Yes, 10,000.

Mr. HERGER. Ten thousand and virtually everyone was in one way or another associated and this whole company just got up and left.

Ms. FLANAGAN. Yes, sir.

Mr. HERGER. To be able to see what you were able to do there. It was very impressive on how you were able to work with both Federal, state, local officials, as well as your university and others, work together to use these TAA training funds, as well as other re-

sources that you had to revitalize your area to where it was stronger afterward than it was before.

Ms. FLANAGAN. Yes, sir.

Mr. HERGER. Again, I visited a number of these companies that you brought in, most of which came in from other countries, that were supported, many of them——

Ms. FLANAGAN. We had two or three of them, yes, sir, we sure do.

Mr. HERGER. Again, it was quite an eye-opener to me. But could you talk further about why TAA funding was important but also why it was essential to combine these TAA fund and other resources to revitalize your area?

Ms. FLANAGAN. Well, yes, it would be a mistake to think that one hat fits all because it does not. With the combined effort of bringing to bear all the resources that we could think of, we could touch, we could bring to the table, it was essential and even then it was not perfect. But being able—maybe it is a part of small town rural America, I do not know, but being able to combine agencies and bring those people and one could offer this and one could offer this and it happened in our whole region like that. Now, we have still got lots of work to do, and we are certainly not sitting on our laurels, we have lots of work to do, but when we get the inkling of something new that we can bring to town, the public school system, the university, our One-Stop center, our area development districts, and our Team Taylor County all go to the table together, trying very much to overwhelm them how wonderful Campbellsville is, it is a cooperative thing.

Mr. HERGER. Well, you certainly in a positive way overwhelmed me again on the job of rolling up your sleeves, taking the bull by the horns, and going out and doing such a great job. I think the point here is that we have a number of programs out there, it is important to utilize all these programs to get the results that we need. The bottom line is to find jobs, good paying jobs, for everyone and the training and everything. So, again, thank you very much.

Ms. FLANAGAN. You are very welcome, thank you.

Mr. LEVIN. Mr. Pascrell?

Mr. PASCRELL. I enjoyed this panel talking about practical things, down to Earth, and I am convinced after listening to you that we are here in Washington, D.C., amongst economic royalists, and you are the response, you have to deal with the folks in your county, in your business, and your own particular situation. There is no question in my mind that there are two major problems here, one is that we need to prevent people from being laid off in the first place; and, number two, if they are displaced, it is a nice word, laid off, then we need to have the resources available, whether they are laid off from trade or anything else, to assist them in getting back on their feet and particularly during the time when they are trying to be "re-trained."

Ms. Flanagan.

Ms. FLANAGAN. Yes, sir?

Mr. PASCRELL. You described the team work in your county in Kentucky. Why did Fruit of the Loom close in the first place?

Ms. FLANAGAN. They found it more financially feasible to produce offshore.

Mr. PASCRELL. Where did they go?

Ms. FLANAGAN. They went to South America.

Mr. PASCRELL. I am concerned—and lest you think that I am using hyperbole—I am concerned that we keep the Fruit of the Looms here and that in the long run there is nothing to be gained within the economy if we think we can simply play catch up and train those folks that have been laid off, many of whom have worked probably for Fruit of the Loom for 15 to 25 years.

Ms. FLANAGAN. Generations.

Mr. PASCRELL. Yes. That is a big concern of mine. So I have listened to the "free traders" this morning and walked out a couple of times to breathe in the air and then come back in here again, there is nothing "free" about this whatsoever.

When you said that there are certain people that are trainable, what did you mean by that?

Ms. FLANAGAN. If that is what I said, I did mis-spoke. What I said—what I meant to say was that we find in our training programs now that businesses and industries want trainable folks, they want folks who have a sound basis in reading, in math, in communications. They want to be able to understand what team work is and how to work together. Then they bring them in and most businesses and industries today have their own orientation, they will train you how to work that piece of equipment or how to do flat-line management the way they want it done.

Mr. PASCRELL. So, education is going to be a major component——

Ms. FLANAGAN. I think so.

Mr. PASCRELL [continuing]. In any re-training program——

Ms. FLANAGAN. I think so. I think so. I think the way our business and industry is expanding through technology, that if we were to propose to train someone in a specific, particular technical job today, perhaps tomorrow, it would be obsolete before they could to the front door.

Mr. PASCRELL. Going back to my original question to the panel, I think it may not be—some good is going to come out of the bad of folks being laid off, I always believe that, that we are now dealing with the service part of the economy because now they are being hit by offshoring.

Ms. FLANAGAN. Yes, sir.

Mr. PASCRELL. They are being hit, the workers, by H1B Visas. It is interesting that we want to re-train people within our own society and yet at the other side of our mouths we are talking about tripling the number of H1B Visas so people can come in here for IT jobs. We are surrounded by economic royalists, make no mistake about it.

Mr. Fusco, in your own particular situation, what could have been 2 years ago, put you through that agony but that is because we do not have a Department of Labor. It is a misnomer. If they cannot detect how many folks are here on H1B Visas, how do you expect them to monitor—monitor the very assistance, the TAA assistance that we need in so many of our states throughout the Union? What you experienced and what you could have avoided experiencing is some legion if you listen to all of the folks that are here.

One other final question, Mr. Chairman, if I may?

Mr. LEVIN. Yes.

Mr. PASCRELL. Thank you. Mr. Morrow?

Mr. MORROW. Yes, sir.

Mr. PASCRELL. The GAO report indicated earlier that workers that were re-trained under TAA were able to receive 80 percent of the pay which they originally accumulated or earned on the previous job before they were laid off. Has that been your experience, however, in North Carolina?

Mr. MORROW. Yes, sir, it has been our experience.

Mr. PASCRELL. It has held up to that?

Mr. MORROW. Yes, sir, it has. In North Carolina, we have had to undergo massive re-training. Most of our traditional industries, they are good people, they are your neighbors, they are my neighbors, they are my relatives, but they only had one task to complete for 35 years. They may have completed high school, most of them did not. In fact, in our Pillowtex situation where that was 5,000 people laid off, over 52 percent of those people did not have a high school diploma, so we have had to re-train starting with basic education. We have gone into areas in which we have job growth in North Carolina. A lot of these folks who are getting their high school diploma are not going into a lot of these programs but the Allied Health Sciences and those kinds of things where the actual pay is is as good or better.

Mr. PASCRELL. Thank you. Mr. Chairman, I just want to make a concluding point to yourself because I know you are sensitive to the issue. There are 30 attorneys— I have got two sons that are attorneys so put this in context— there are 30 attorneys to every machinist and for every IT worker. I want this Committee, and I know that you want this too, not only with regard to trade, to be aware of who speaks for whom. We are letting the American people down, the average worker down in this country, the manufacturing decimated in New Jersey, if we do not fight for them even in a populist way, if you will. Thank you for your service and thank you for coming forth and testifying.

Mr. MORROW. Thank you.

Mr. LEVIN. Thank you, Mr. Pascrell. Mr. Lewis?

Mr. LEWIS OF KENTUCKY. Thank you, Mr. Chairman. Again, I thank Virginia for being with us to discuss these issues. I remember how difficult the news was when we heard that Fruit of the Loom was leaving, we were going to lose 2,500 employees there, I think it was something like 2,500.

Ms. FLANAGAN. Sir, it was 3,800.

Mr. LEWIS OF KENTUCKY. Thirty-eight hundred over a period time, it started with 4,000 and then the last group to leave I think was around 2,500.

Ms. FLANAGAN. Right, right.

Mr. LEWIS OF KENTUCKY. What I liked about the Campbellsville community was that you then did not look at the glass being half empty, you looked at the glass being half full. You had workers who for years went to their job, did their job, they were faithful, they were good, employable people, they just needed to be retrained.

Ms. FLANAGAN. Exactly, that was it.

Mr. LEWIS OF KENTUCKY. That was the bottom line, they just needed to be re-trained. With TAA assistance, state assistance, community assistance, the university, as a team you all worked together and Team Taylor County is a great title that you have because it is truly a team and you worked hard. Again, it would have been great if Fruit of the Loom would have stayed and all of these other good things would have happened and all these other new companies that came in, that would have been great. But we are in a global economy and businesses make business decisions about where they are going to be able to make a profit or a better profit. But if you look at Kentucky, and Campbellsville is an example, we have gained more through in-sourcing than we have lost in outsourcing. If you look at Toyota in Georgetown, that is 10,000 employees for the state of Kentucky. Then if you look at the component parts industry from other countries that came in to support Toyota, my son works at Akibono in Elizabethtown, in my hometown, that employs one thousand people. You look in Bowling Green at their new Transpark, there are one thousand working there for a Canadian company. They make automobile and truck frames. So, if you look at Kentucky, and I think maybe across the country, we are not only competing but we are winning in a lot of instances on bringing more jobs from other countries than we are losing to other countries in high-paying technical jobs.

Ms. FLANAGAN. It is true in Campbellsville, yes.

Mr. LEWIS OF KENTUCKY. Yes, you just did not go regionally or across the nation looking for companies to come in, you went South Korea, to India, other countries.

Ms. FLANAGAN. Japan.

Mr. LEWIS OF KENTUCKY. Japan. So, when we re-train our workers, because we have got the best workers in the world, then we can compete anywhere. Campbellsville is a great example of that, a town of 10,000, a community where the infrastructure, and you mentioned the challenges for the infrastructure there, there are no super highways into Campbellsville.

Ms. FLANAGAN. There are no super highways, no, sir.

Mr. LEWIS OF KENTUCKY. So, if Campbellsville, and I made this point over and over again, if Campbellsville, Kentucky can do it with a team, with the leadership that is there, then I do not know of a community anywhere in this country that could not look at the glass half full instead of half empty. Would you like to comment any further on that?

Ms. FLANAGAN. I totally agree. Part of it is not taking "no" for an answer and part of it is asking over and over again and be persistent. It did not happen overnight. We worked long and hard years.

Mr. LEWIS OF KENTUCKY. Yes.

Ms. FLANAGAN. But we are still striving and we have a few good things to show for it.

Mr. LEWIS OF KENTUCKY. Yes, and I am sure you would welcome back Fruit of the Loom any time they would want to come.

Ms. FLANAGAN. Any time they would want to come, yes, sir.

Mr. LEWIS OF KENTUCKY. Thank you. Thank you so much. I yield back.

Mr. LEVIN. Thank you, Mr. Lewis. Mr. Lewis?

Mr. LEWIS OF GEORGIA. Thank you very much, Mr. Chairman. Thank you very much, Mr. Chairman, for holding this hearing. Let me thank all members of this panel for testifying. Mr. Bolas, I want to ask you just how did you and your family adjust to make ends meet? When you lose a job, it affects your sense of pride, your sense of dignity, and you want to work, you want a job, how did it affect your family?

Mr. BOLAS. Well, actually with my family, what we did was we got together, we discussed it first between me and my wife and then her parents and some of her family on how we were going to broach the subject of whether I wanted to try to find another job elsewhere, if we wanted to stay in the area that we were at or if I wanted to go ahead and try for the training. Once we discussed it amongst ourselves and that it appeared everything was supported to go ahead and go for the training and basically how that went is we wiped out everything we had in savings so.

Mr. LEWIS OF GEORGIA. Well, I appreciate your testimony, and I appreciate you and all of the witnesses for being here. Mr. Morrow, are the steel and textile jobs in North Carolina, are there any left?

Mr. MORROW. Yes, sir, there are just a few left. North Carolina—that is just one of our traditional industries, that and furniture, and that is where we have taken the most difficult hit over the past few years. There are textile jobs left but those jobs are of the higher end skill level where you have to——

Mr. LEWIS OF GEORGIA. You do not have the what you call sew and cut?

Mr. MORROW. No, the sewing plants, those kinds of things, are going away because in North Carolina it does not pay enough so therefore those jobs are not looked at as a job to have to earn a living. The jobs in textiles that remain are the jobs where it is high-end, where you have got to be able to operate several machines, you do it in a computerized situation, those kinds of things.

Mr. LEWIS OF GEORGIA. Are you losing jobs in the furniture industry also?

Mr. MORROW. In the furniture industry, yes, sir. We just lost in Lenoir, which is Caldwell County at the foothills of the mountains in North Carolina, we just lost about 4,000 jobs over the last seven or 8 months.

Mr. LEWIS OF GEORGIA. Mr. Morrow, I would be very interested in knowing because the state of North Carolina is very similar to my state of Georgia.

Mr. MORROW. Yes, sir.

Mr. LEWIS OF GEORGIA. With all of the growth that has taken place in the Raleigh/Durham and also in the Charlotte area and then you have people moving in and you have the immigrant workers, is unemployment high and growing in North Carolina?

Mr. MORROW. No, sir, it is a little over 5 percent I think is the average right now. But, Mr. Lewis, the two areas that you just mentioned, Charlotte Mecklenburg County area and the Research Triangle Park, they are thriving just like——

Mr. LEWIS OF GEORGIA. But that is high-tech.

Mr. MORROW. They are high-tech.

Mr. LEWIS OF GEORGIA. Well, about the average people that have been in textiles, people that have been working in agriculture, what happened to those folks?

Mr. MORROW. Those areas are mainly in the rural counties of North Carolina and that population does not want to migrate to the cities, to those metropolitan areas. To give you an example, in Kannapolis, which is 25 minutes away from Charlotte, PillowTex Industries in 2003 lost 5,000 jobs. We in a collaborative effort, just like in Kentucky, trying to get folks re-employed or re-trained, and a lot of those people did need re-training because it was a mill town, they refused to drive 25 miles because it had been something that they had been doing all of their lives. That is the reason in my testimony I mentioned changing a worker's mindset to where they do go to where the jobs are that is not 2 minutes down the street from their home, that they get the additional education they need to help become more marketable and the fact that the whole environment is changing where you are not completing just one task, where you are completing several tasks and you are working in groups. That is the challenge that we still have today in North Carolina. That is the reason that we are requesting that you look at TAA training because that is a long-term effort, which will help our state.

Mr. LEWIS OF GEORGIA. Thank you very much. Thank you, Mr. Chairman.

Mr. LEVIN. Mr. McDermott?

Mr. MCDERMOTT. Thank you, Mr. Chairman. Mr. Bolas and Mr. Fusco, you both talked about health care, and I would like to talk for a second about what you need, what would you have needed to get health insurance when you were on unemployment in this TAA, how could it be constructed so it would work, either one of you?

Mr. FUSCO. Well, in my own case, the gap between when my COBRA benefits ran out and when my new job provided with new health insurance was only about two to 3 months.

Mr. MCDERMOTT. That is not long enough to have a heart attack? You did not worry about that?

Mr. FUSCO. It is long enough to have a heart attack, you only need a few minutes. But I guess the Health Coverage Tax Credit that is currently provided is somewhat helpful.

Mr. MCDERMOTT. What was your unemployment, you were able to use the COBRA benefits, how come, how did you have enough money to carry the COBRA benefit?

Mr. FUSCO. Well, at some point my unemployment benefits ran out, and I started spending down my savings, that is how I was paying for COBRA benefits.

Mr. MCDERMOTT. So, it was purely done out of your savings?

Mr. FUSCO. Right, right, while I was receiving unemployment benefits, it was enough to pay. When they ran out, then I had to spend down my savings.

Mr. MCDERMOTT. It was enough to pay the COBRA and the rest of your living expenses out of your unemployment benefits?

Mr. FUSCO. Oh, no, no. Well, it was close. It was just about enough. It was just about enough. I did not put any additional money in the bank during that period of time.

Mr. MCDERMOTT. Did you have anybody else in your household working?

Mr. FUSCO. No.

Mr. MCDERMOTT. So, it was just you?

Mr. FUSCO. Just me.

Mr. MCDERMOTT. Mr. Bolas, did your wife work at any time during that period?

Mr. BOLAS. No, she is unable to work and she is not collecting anything from her disability, nothing, she has zero income. So I am sole income and our problem is with the amount of money we were getting with the UC benefit, unemployment benefits, it really in fact did not meet our bills totally between the utilities and that because we had two small children at the same time, so every family is different. The only way we could have made, like the HCTC program, is if the premium was down some more because we could not afford 35 percent. If it was closer to 10 percent, possible. We still relied on help from her parents to buy groceries.

Mr. MCDERMOTT. Were you getting the maximum benefit in Pennsylvania?

Mr. BOLAS. Yes. Well, I was getting a maximum benefit under what my age per hour per weekly benefit was.

Mr. MCDERMOTT. That was how much a month?

Mr. BOLAS. It was $1,400.

Mr. MCDERMOTT. Mr. Fusco, how did you make?

Mr. FUSCO. My weekly unemployment benefit at the time was $475 a week.

Mr. MCDERMOTT. So, you were getting about $1,800, almost $1,900 a month?

Mr. FUSCO. Right.

Mr. MCDERMOTT. So, you were getting almost the maximum in New Jersey?

Mr. FUSCO. New Jersey has a very generous weekly unemployment rate.

Mr. MCDERMOTT. So, the $300 or $400 extra you had a month made the difference. How much was your COBRA payment?

Mr. FUSCO. I forget the exact figure. It was something in the neighborhood of $100 to $200 a month for the premium. I am not sure exactly what it was.

Mr. MCDERMOTT. Yours was?

Mr. BOLAS. Our COBRA was $389.

Mr. FUSCO. He had to cover a family, I just had to cover myself.

Mr. MCDERMOTT. Okay, alright. Let me ask both of you, you both were sitting there, there were jobs out there, why did you not go take one of them and just use the Wage Insurance part of the COBRA benefit—I mean of the TAA benefit?

Mr. FUSCO. I was really unfamiliar with the Wage Insurance part of it, but my goal was to—I had many years of experience in the information technology field and my goal was to become re-employed as an information technology worker rather than go through the upheaval of starting some other new skill totally.

Mr. MCDERMOTT. You are how old?

Mr. FUSCO. I am 53.

Mr. MCDERMOTT. Fifty-three. Mr. Bolas, why did you not take a job and just say, "Look, I am going to take the Wage Insurance and move on?"

Mr. BOLAS. I wanted to make sure I had a job that I could provide for my family and myself that was around the same pay as my original job because anything less, I would have probably had to move to another house or sell the house that we had and move to another neighborhood where it would be less money or however, and I would not be able to provide as well for my family. So what we were looking at there was that if I could maintain the level of pay that I was at, which there were no jobs available at the time, I even had construction experience and my wife's family had construction companies and they folded up because there was lack of jobs up there at the same time. So, the whole company, the construction company that has been there for years, folds up and you have construction experience looking for a job and you cannot even do it through your family, it is time to look someplace else.

Mr. MCDERMOTT. Thank you very much.

Mr. LEVIN. Mr. Davis?

Mr. DAVIS. Thank you, Mr. Chairman. Let me apologize to the Chair and to the Committee. Most of us have to juggle about usually five or six balls at one time so that is why you have not had the kind of attendance and sustained participation that you were entitled to. Let me ask you a couple of questions and then make some brief comments because I think I am probably the last person to speak to this panel. First of all, let me ask the individuals who were the employees who worked in your community—how many of you felt that the U.S. Government was articulating your interests in the context of bilateral trade negotiations over the last 4 or 5 years? How many of you felt that the U.S. Government was speaking for your interests and the interests of people like you? How many of you felt the opposite of that?

Mr. FUSCO. By articulating my interest, do you mean——

Mr. DAVIS. Advocating on your behalf.

Mr. DAVIS [continuing]. Considering our situation in a timely manner, in a considerate manner, I would say there was very little evidence of that.

Mr. DAVIS. Mr. Bolas, did you feel that the U.S. Government was advocating for your interests and the interests of people like you over the last 5 or 6 years?

Mr. BOLAS. The only ones that were advocating for me was, like I said, with the Mon Valley Unemployment Committee. Whenever I was trying to get jobs or anything up in the state where I am from, it was hard to even find any avenues that was open to figure out what to do whereas if they would not have came, had meetings, held meetings with our union and that, I would not have known about the TAA program. I would not have known about any of it until they had the meetings with us.

Mr. DAVIS. This is what I would say to the Committee and to the panel, all of us have an interest in figuring out a way to make globalization work. There is no question about that. All of us have an interest in figuring out a way to make trade a win/win proposition but I compliment Mr. Levin for recognizing this, there is no way that the public and this country can be sold on trade policies,

on an aggressive approach to bilateral trade agreements without the public believing that the government is advocating for the interest of American workers. Now, that may sound like just a lot of populist rhetoric to some people, but I want to tell you why it is concrete. Ultimately, there are a lot of people in this society who have lost ground economically in the last 30 years, a lot of them are people who play by the rules, who have done all that has been expected of them, and I do not think they are seeking—I do not think you, Mr. Bolas or you Mr. Fusco, were seeking any special treatment from your government, you simply wanted to know that your government was responsive to you and was willing to reward your service and your labor in this society.

Mr. FUSCO. That is correct.

Mr. DAVIS. If people do not feel that, two things will happen: First of all, they will believe that we ought to withdraw from the rest of the world. That is impossible economically, but some people will endorse that idea because they have lost—or they think the government has loss face with them. The second proposition is that I think it will just make us more insecure as a country. Most of the fractiousness that we have in this society happens when we are at a low wage point, when we have more social division, when we have more people losing ground, people start to think we should withdraw from the rest of the world. They start to think their neighbor caused this. They start to think a person with a different skin color who came here from another country caused it. I am convinced one of the reasons that we cannot get an immigration reform bill is because of bad blood over these kinds of issues. I just think we all have a stake in addressing those problems. We all have a stake in figuring out how we can build public confidence in the economic choices that we make as a country and how we can build public confidence and the way we engage in trade. If we cannot do that, we will be more divided and more fractious than we ought to be.

But I thank you for coming here and sharing your stories.

Mr. FUSCO. Thank you.

Mr. DAVIS. Thank you, Mr. Chairman.

Mr. LEVIN. Alright, let me just as you leave say to all of you I do not know how we found Mr. Bolas and Mr. Fusco, I think we know how we found the three of you who are in government service but it was a wonderful discovery and your testimony has been helpful as has been those of you who are working on these programs governmentally. This has been structured so that the Labor Department can come last. I just want to say, to give notice to them, this issue of a reserve has been mentioned as if there are funds lying around that have not been allocated or obligated. For the two of you from Michigan and North Carolina, I notice there is a reference to North Carolina of a—reserve training fund of almost $4,600,000 for Michigan, almost $5.5 million they say North Carolina—almost $4.5 million, I do not think that this takes into account the moneys that have been obligated. Ms. Flynn, do you know anything about that?

Ms. FLYNN. Yes, that is absolutely correct. It becomes quite confusing when you are talking about funds that are available but there really is a difference between expending funds and actually

obligating the funds, and so I could get some more concrete statistics on that to present to the Committee, but we are way up at 90 percent where the numbers do not actually portray that type of expenditure rate.

Mr. LEVIN. Mr. Morrow, any comment?

Mr. MORROW. Only to say that the total amount of TAA training that is in my testimony comes from three sets of numbers, which is our initial allocation, a reserve request that we made for 2006, we made that in May and then we got another amount in July of 2006. If you notice, we utilized all of those funds. So, it is money that we are spending as quickly as we can get our hands on it.

Mr. LEVIN. Okay, because I was given a report regarding a recent discussion about this relating to the workforce—to WIA, and the Inspector General said, really commenting on the Department of Labor figures, he concludes, and I quote, "Obligations provide a more useful measure for assessing state WIA funding status if obligations accurately reflect legally committed funds and are consistently reported." I think that is important to take into account.

I guess we are going to go on. Several have been able to join us. As mentioned, schedules around here are difficult to adjust. We are now in recess somewhat unexpectedly because of an effort to resolve an issue on the Floor. So, that is another indication of how difficult it is for members to acclimate their schedules. But we are glad, so glad that all of you could be here and thank you again. We will call on our next panel, which has been exceptionally patient. Thank you again.

[Recess.]

Mr. LEVIN. [Presiding] Alright, welcome. Let me just mention, Mr. Rangel and I have talked about this and I am sure he has with Mr. McCrery, this is such an important subject and the schedules here tend to be readjusted every few hours. We are going to make a special effort, and I am sure Mr. Herger agrees, to be sure that your testimony is fully distributed. This is just one in a series of hearings on TAA, so what you are doing today is providing a necessary foundation for what will be further hearings and then in all likelihood legislation. So, thank you very much for coming. So, let me just quickly review this distinguished panel. Marcus Courtney is the president of Washington Alliance of Technology Workers in far away Seattle. I am not sure you came all the way. You are going first because you may be the most tired. Karen Pollitz, who is a research professor at the Health Policy Institute, Georgetown University, and has also had a distinguished career on the Hill; Diana Furchtgott-Roth, who is a senior fellow and director of the Center for Employment Policy at the Hudson Institute; and Jane McDonald-Pines, who is a workforce policy specialist for the AFL–CIO; and Howard Rosen, who has appeared before us before, and we welcome again him as well as the rest of you. Howard is the executive director of the Trade Adjustment Assistance Coalition. So, we will go in that order. You will see the lights begin to flash and if you could possibly summarize within 5 minutes, and then we will have some useful Q&A and make it as hard-hitting as you can because the next panel will be of those who are within the Department of Labor and IRS. So, Mr. Courtney, you are first.

STATEMENT OF MARCUS COURTNEY, PRESIDENT, WASHINGTON ALLIANCE OF TECHNOLOGY WORKERS, SEATTLE, WASHINGTON

Mr. COURTNEY. Thank you, Mr. Chairman and Ranking Member McCrery for this opportunity to testify today regarding Trade Act Adjustment Assistance. My name is Marcus Courtney, and I am a former software test engineer that worked at Microsoft in the late nineties and left that job to begin organizing technology workers for union representation in 1998 with the Communications Workers of America. I am now president of the Tech Workers local union in Seattle, Washington, and we represent more than 1,500 members. I hold a Bachelor's of Arts degree from the University of Montana. With my allotted time, I hope to provide a brief overview of the problems unchecked globalization poses to service sector workers and provide this Committee with my on-the-ground experience in this matter.

Congress must drastically overhaul the TAA program if we are to maintain our status as a worldwide leader in technology and service sector industries. American service sectors workers are experiencing unprecedented economic changes brought on by globalization and offshore outsourcing made easy with the advent of the Information Age. Jobs once thought safe from foreign competition, such as computer programmers, lawyers, medical specialists, call center workers, accountants, Wall Street analysts are all facing threats similar to those faced by manufacturing workers.

There are estimates that between 3.3 and 14 million U.S. jobs in the service industry are vulnerable to offshoring. BusinessWeek Magazine in September 2006 noted that, "Businesses at the core of the information technology economy: software, semi-conductors, telecoms and the whole gamut of web companies have lost more than 1.1 million jobs in the last 5 years." I think that is really an important point, especially that we are continuing to hear about the robust growth in the information technology service sectors over the past couple of years. But if you look over the history in the past 5 years, millions of jobs have been lost. In addition, we have tax policies that encourage offshore outsourcing, an H1B Visa program that is abused and a declining trade surplus in services, which also adds to more jobs lost in the service sector economy.

The question is what must Congress do to fix the inadequacies of the current TAA program and create a TAA program that is more relevant to the 21st century. TAA eligibility should not be contingent upon the existence of a Free Trade Agreement as we lose most of our technology jobs to India with whom we have no FTA.

The modernization of the TAA program must have the ability to adequately fulfill the needs of the increased number of displaced service sector workers who will qualify for this more modern and logical approach to TAA. The TAA program will need more funding. Presently, states run out of money well before the end of the fiscal period. The current TAA program does not recognize that workers holding computer science degrees or working in other engineering occupations need specific access to re-training benefits beyond their 4 year degrees. I think this is really important because a lot of the testimony I have heard today is focused on manufacturing workers

and that they needed some set of education training beyond high school, but in the service sector, most of the workers working in the service sector hold 4 year degrees and many of them computer science degrees who have lost their jobs just like manufacturing counterparts to foreign trade but the program does not recognize that they need advanced training beyond a 4 year Baccalaureate degree to remain competitive.

The TAA program should consider taking skilled computer professionals and paying for advanced degrees in computer science and engineering, the very area where companies are claiming the U.S. workforce is lacking. This change will help displaced workers meet future demand and better position the U.S. in maintaining its position as a global leader by creating a highly skilled workforce. As the program is currently designed, it does not pay for advanced degree because it is not currently designed to re-train skilled service professionals.

I recommend the Congress insist that the DOL develop a system to track the number of jobs offshores and require businesses to truthfully state reasons for such job shifts. Presently, a company merely needs to cite "increased competition." Transparency and having all the information will aid Congress in modernizing the TAA program.

It is critical that Congress expand TAA eligibility to include the high-tech workers and other service sector workers today and tomorrow.

I know some may look at this as a huge cost to Americans. I would encourage members to look at this as an investment in America and Americans, an investment that is essential in our mutual desire to maintain the innovative spirit of America and provide incentives for a future in high-tech service sector workers to design and build the next technological product here in this country.

[The prepared statement of Mr. Courtney follows:]

Prepared Statement of Marcus Courtney, President, Washington Alliance of Technology Workers, Seattle, Washington

Thank you, Chairman Rangel and Ranking Member McCrery, for this opportunity. I would like my testimony included in the congressional record.

My name is Marcus Courtney. I am a former software test engineer that worked at Microsoft in the late 1990s, and left that job to begin organizing technology workers for union representation in 1998. I am now the president of the tech workers local union in Seattle WA. I hold a BA from the University of Montana. With my allotted time, I hope to provide a brief overview of the problems unchecked globalization poses to high tech workers and provide this Committee with my on-the-ground experience in this matter. Congress must drastically overhaul the TAA program if we are to maintain our status as the worldwide leader in the technology field. I would like to begin with a quote:

> *"It is my experience that a lot of the anxiety in the economy right now is kind of white collar anxiety due to outsourcing and offshoring to India and other places. . . . That is to me why in terms of globalization I wouldn't even try to determine whether a person lost their job because of domestic technology or globalization or trade. I think it is going to be too difficult to tell in the future."*

I never thought I would quote Gene Sperling but this is a statement he made before this Committee January 30th of this year. Furthermore, I agree with Gene wholeheartedly on this point. I think this is an important point to make as I disagree with Gene on so many other issues regarding globalization and the economy

but finding common ground on overhauling the TAA program is an important issue to me, the thousands of members I represent and all future high tech workers.

American Service Sector workers are experiencing unprecedented economic changes brought on by a globalization model that trumpets offshoring and the information age. Jobs, once thought safe from unfair foreign competition such computer programmers, lawyers, medical specialists, call center workers, accountants, wall street analysts are now all facing threats similar to those faced by manufacturing workers. Is this the road we want to go down when we have seen what has happened to our manufacturing sector? Flawed trade policies play a significant role in this vanishing act but of equal concern are flawed tax policies that encourage offshoring and completely unnecessary increases in the H1 B visa program which is riddled with fraud and abuse. These jobs, my job, were part of the new job creation promised to Americans during the NAFTA debate. Over a decade later we have a declining trade surplus in services while the importation of services is skyrocketing. Additionally, there are estimates stating that between 3.3 and 14 million U.S. jobs in the service industry are vulnerable to offshoring. In addition, Business Week Magazine in September 2006 noted that "Businesses at the core of the information technology economy-software, semiconductors, telecom, and the whole gamut of web companies—have lost more than 1.1 million jobs in the past five years." I highlight these issues so that we may put this debate into the proper context by identifying the catalysts if we are to adequately address the problems of the current TAA program.

The question is what must this Congress do to fix the inadequacies of the current TAA program and create a TAA program that is more relevant to the 21st century?

As I stated earlier, TAA eligibility should not be contingent upon the existence of a free trade agreement as we lose most of our technology jobs to India with whom we have no FTA. Similarly, we continue to lose our manufacturing base to businesses located in China with whom we have not signed an FTA. Together, these two countries pose a significant challenge to the U.S. labor market standards and fair wages for workers. As more multinational corporations begin moving service sector work to put U.S. based workers in direct competition with significantly lower paid workers, wages here stagnate or decrease and we lose the jobs of tomorrow. This idea has bipartisan support on this very panel as Congressman Camp alluded to his support of granting TAA eligibility to workers whose jobs are offshored to countries with whom we have no trade agreement during the aforementioned hearing.

The number of service jobs vulnerable to offshoring alone should adequately address the issue of limiting TAA benefits or capping the program. Seeing as only 120,000 workers were entitled to TAA benefits last year, the modernization of the TAA program must have the ability to adequately fulfill the needs of the increased number of displaced service sector workers who will qualify for this more modern and logical approach to TAA. The TAA program will need more funding. Presently, states run out of money well before the end of the fiscal period.

TAA must be changed into a more proactive program. Why do we wait for people to lose their jobs before we begin to even try and help them? We have mechanisms in place that require advanced notification of major job shifts by corporations. Beefing up the WARN Act should be part of any effort by Congress to modernize the TAA program. In addition the current TAA program doesn't recognize that workers holding computer science degrees or working in other engineering occupations need specific access to retraining benefits beyond their four year degrees. This issue is of particular concern to computer programmers, and other skilled service sector employees.

Technology companies are proclaiming a significant shortage of skilled professionals in the U.S. to meet their demand of skilled jobs. Many of the same companies are laying off U.S. employees and offshoring these jobs. The TAA program should consider taking skilled computer professionals and paying for advanced degrees in computer science and engineering; the very area where the companies are claiming the U.S. workforce is lacking. This change will help displaced workers meet future demand and better position the U.S. in maintaining its position as a global leader by creating a highly skilled workforce. As the program is currently designed it does not pay for advanced degrees because it is not currently designed to retrain skilled professionals.

It is unfortunate that this Department of Labor under Secretary Chao (DOL) has been so complacent and has failed to provide Congress with any insight as to the extent of the problem we are talking about today. The sad fact is that DOL does not track job loss resulting through shifts in production. This is the job of our government and our government is failing the people.

My local union decided to attempt to track such job shifts ourselves. Through our efforts we have been able to identify 528,000 jobs that have been offshored. I encourage you to visit www.techsunite.org/offshore/ to see what we have tracked so far. Unfortunately, our offshore tracker isn't able to tell Congress the whole story. I recommend that Congress insist that DOL develop a system to track the number of jobs offshored monthly and require businesses to truthfully state the reasons for such job shifts. Presently, a company merely needs to cite "increased competition". Employers realize that openly admitting that they are offshoring leads to bad public relations and they have refined the way they report job shifts to both the DOL and the media. Transparency and having all the information will aide Congress in modernizing the TAA program.

The Health Care Tax Credit component of TAA is woefully inadequate for someone who just lost their job. Their household incomes at best were cut in half and given the ever-rising cost of health care in America one slip and fall is all it would take to put a family into bankruptcy and out on the streets. Increasing the federal share payable for health care to workers who just lost their jobs to and ensuring that there is no lapse in coverage are key basic components which TAA modernization must include.

Congress must ensure that the TAA program is a robust one which doesn't shortchange displaced workers or run out of funding. Congress must work to increase the visibility of the TAA program and develop an oversight mechanism at the federal level to ensure that TAA money is not being withheld or misused in any way. Congress must also do away with the arcane requirement that a workers job must move to a country with whom we have a free trade agreement. Finally, it is critical that Congress expand TAA eligibility to include the high tech workers and other service sector workers of today who fall victim to the perils of the presently unsustainable globalization model. I know some may look at this as a huge cost to Americans. I would encourage members to look at this as an investment in Americans; an investment that is essential in our mutual desire to maintain the innovative spirit of America and provide incentives for our future high tech and service sector workers to design and build the next great technological wonder here in America.

Mr. LEVIN. Thank you very much.

Karen Pollitz, you are next.

STATEMENT OF KAREN POLLITZ, RESEARCH PROFESSOR, HEALTH POLICY INSTITUTE, GEORGETOWN UNIVERSITY

Ms. POLLITZ. Thank you, Mr. Chairman, Members of the Committee, for inviting me to testify today about the Health Coverage Tax Credit or HCTC. I conduct health policy research at Georgetown University, and I have studied this program as have other academics and government investigators. The most important finding of all this research is that very few people who are eligible for the Health Insurance Tax Credit can actually use it. Estimated take-up rates range from about 7 percent for the TAA population to 13 to 20 percent for all eligible taxpayers. By contrast, the take-up rate for Medicaid and S–Chip is about 70 percent, for employer-sponsored health insurance it is about 85 percent and it is about 100 percent for the Medicare program.

A variety of program features contribute to this very low participation rate for the HCTC. First, it only provides a partial subsidy. It pays 65 percent of health insurance premiums but the 35 percent share is beyond what most people can afford, especially trade-dislocated workers who rely on Unemployment Insurance. As you heard, they must devote about a quarter or more of their unemployment benefits to pay for their share of health insurance premiums. Research shows that take-up rates for health insurance fall off steeply once people are required to pay more than about 5 percent of their income for health insurance.

Second, the subsidy is delayed. The HCTC is payable on a monthly basis, which is important for people to be able to use it in real time. However, as you heard, it can take months for this subsidy to be initiated. During this gap, people must pay 100 percent of the cost of qualified coverage and they simply cannot afford it.

Part of why it takes so long is that the HCTC is a very complicated program and that is the third reason why people do not use it. An individual must take multiple steps and interact with three to five Federal, state and private agencies in order to qualify for the tax credit and use it. Each step can generate delays, confusion and opportunities for mistakes.

A fourth problem with the HCTC is that individuals are not adequately protected against health insurance discrimination based on their health status, age or other factors. Federal law provides for some protections, qualified plans may not turn applicants down because of their health status or impose pre-existing condition exclusions but these protections expire after 63 days and it takes longer than that to use the credit. Even if a person can manage to remain continuously covered, other important protections are lacking, in particular Federal law does not limit what can be charged for qualified coverage. To give you an example, in North Carolina, a health 55 year old HCTC recipient would pay about $130 a month for his share of self-only coverage but if he had cancer, his share of the premium would rise to about $900 a month.

In addition, the HCTC sets no standards on the adequacy of benefits for qualified coverage, limits on key benefits, including prescription drugs, have been observed an in many states only high deductible plans are available. A survey of retired steelworkers under the age of 65 found that 40 percent who had replacement health insurance nonetheless postponed or went without care for a doctor due to the cost.

Finally, the HCTC has proven to be an inefficient method for delivering health insurance subsidies. In fiscal 2004, the IRS spent $42 million to administer this program or about one dollar for every two dollars in subsidy delivered. Most of those administrative costs are associated with the advanced pay option. The IRS cut administrative expenses sharply to $26 million in Fiscal 2005 or about one dollar for $4 of subsidy paid, although some cuts were aimed at outreach and consumer assistance that support enrollment and enrollment has not grown very much since then.

Moving forward, Mr. Chairman, if Congress wants to help more trade dislocated workers keep health insurance through the HCTC, specific improvements are needed. The level of subsidy must be increased so that people are required to pay only a modest share of the insurance premium. Consumer protections against health insurance discrimination must be enhanced. Workers and their family members should not be turned down or charged more based on their health status and all qualified coverage should provide for adequate benefits and modest cost sharing. These protections are available to Members of Congress and Federal workers under the FEHBP, and they are essential to the health security of all Americans. The HCTC program must be simplified so that people can use the subsidy to obtain coverage and remain seamlessly covered. Fi-

nally, greater accountability for this program is desirable. Congress should have ready access to information about HCTC enrollment, enrollee characteristics, health plan costs, premiums charged and how those are justified—as a private researcher, I can tell you this is hard information to dig out—and accountability for taxpayer dollars requires much greater transparency than exist in this program today.

Thank you.

[The prepared statement of Ms. Pollitz follows:]

Prepared Statement of Karen Pollitz, Research Professor, Health Policy Institute, Georgetown University

Mr. Chairman and Members of the Committee,

Thank you for asking me to testify about the Health Coverage Tax Credit (HCTC), which was enacted as part of the 2002 Trade Act. I have conducted research about this program, as have other academics and government investigators, and my observations today are based on the findings of several reports and studies. The HCTC was intended to expand access to health coverage for trade dislocated workers, certain early retirees, and their dependents. While it was important that the Congress recognized this need and took steps to address it, the experience of the HCTC program has not been entirely successful. Congress could take further steps to improve access to health coverage for this population.

Low take-up

Estimates suggest anywhere between 7 percent and 21 percent of people eligible for the HCTC have actually able to use it.[1] By contrast, the take-up rate for Medicaid and SCHIP is 70 percent; the take up rate for employer-sponsored health insurance is about 85 percent;[2] and nearly 100 percent of persons eligible for Medicare enroll.[3]

A variety of HCTC program features contribute to this very low participation rate.

Partial subsidy—The HCTC pays 65 percent of the premium for qualified coverage, but the remaining 35 percent share is too costly for many to afford, especially laid off workers who rely on unemployment insurance. GAO has reported that the 35 percent premium share for qualified coverage averages about 25 percent of the monthly Unemployment Insurance (UI) benefit for workers in four states with the highest number of HCTC enrollees. In other states, the worker's share of a family policy premium would consume more than 40 percent of UI benefits.[4]

Delayed subsidy—Congress required that the HCTC be payable on a monthly basis. Receiving the subsidy in real time is critical if out-of-work individuals are to have meaningful access to coverage. However, it takes at least three months to initiate the advance-pay credit.[5] During this gap, people must pay 100 percent of the cost of qualified coverage. At year end, a credit for these costs can be claimed on one's tax return, but the cash flow burden may discourage many from obtaining coverage. Congress provided for grants to states to provide temporary subsidies during this gap. However, the Inspector General of the U.S. Department of Labor reports this grant program does not work well. Few states participate due to program complexity and other delays and only a tiny fraction of the target population has been reached.[6]

Program complexity—The HCTC is an exceedingly complex program. In focused surveys of dislocated workers conducted by the GAO, the most common reason cited

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[1] See for example US Government Accountability Office (2007). "Trade Adjustment Assistance: Changes to Funding Allocation and Eligibility Requirements could Enhance States' Ability to Provide Benefits and Services," GAO–07–702, May 2007. See also Dorn S (2006). "Take-Up of Health Coverage Tax Credits: Examples of Success in a Program with Low Enrollment," The Urban Institute, December 2006.

[2] Cunningham P (2003). "SCHIP "Making Progress: Increased Take-Up Contributes to Coverage Gains," *Health Affairs,* July/August 2003.

[3] Glied S (2001). "Challenges and Options for Increasing the Number of Americans with Health Insurance," *Inquiry,* Summer 2001.

[4] U.S. GAO (2007). See also U.S. Government Accountability Office (2006), "Trade Adjustment Assistance: Most Workers in Five Layoffs Received Services, but Better Outreach Needed on New Benefits," GAO–06–43, January 2006.

[5] U.S. GAO (2007).

[6] U.S. Department of Labor, Office of Inspector General (2005). "Performance Audit of Health Coverage Tax Credit (HCTC) Bridge and Gap Programs," Report Number 02–05–204–03–330, September 30, 2005.

for not participating in the HCTC—after the high cost of coverage—is that the program is too confusing.[7] To be eligible for the tax credit, one must first establish eligibility for other programs—Trade Adjustment Assistance benefits or retirement benefits through the PBGC. The next step is to identify and obtain qualified coverage. This may be COBRA, but often will be qualified plan options under new forms of coverage that states have arranged. In many states private plan options are medically underwritten. In addition, most require individuals to first obtain a certificate of creditable coverage from their former insurer. As they shop for coverage, individuals must also establish eligibility for the HCTC. Application for the advance payment HCTC is another step. From beginning to end, people may have to contact both federal and state agencies as well as private insurers. Each step can generate delays, confusion, and opportunities for mistakes.

Lack of consumer protections—Federal law requires certain important consumer protections for individuals seeking qualified coverage for the HCTC. Because these protections are not comprehensive, however, individuals with health problems may still encounter difficulties finding coverage. Critical health insurance protections consumers need include:

- *Guaranteed issue*—Federal law requires state coverage options be offered on a guaranteed issue basis, which means applicants cannot be turned down because of health status. However, this protection only applies for individuals who have been continuously covered. Those who have been uninsured for 63 days may be denied coverage, at least in some states, if they have health problems.
- *Pre-existing condition exclusions*—Federal law also requires that state coverage options may not impose pre-existing condition exclusions. However, this, too, only applies for individuals who have been continuously covered. Those who have been uninsured for 63 days may find such exclusions will be imposed.
- *Rating limits*—Federal law does not limit how much individuals can be charged based on health status, age, or other characteristics. As a result, premiums may be prohibitively expensive for older individuals or those with serious health problems. In North Carolina, for example, a 55-year-old man with cancer could pay as much as $900/month for his 35 percent share of the premium for HCTC insurance sold in that state.[8] The federal government does not require justification of such rate surcharges. However, unpublished findings from one study conducted by the IRS suggest the risk profile of HCTC enrollees may be similar to other standard risk individuals.[9]
- *Covered benefits standard*—Federal law does not establish a standard for what benefits must be included in HCTC qualified coverage. Evidence suggests qualified coverage in many states may not be adequate. A recent survey of retired steelworkers (under age 65) found that substantial numbers felt their replacement health insurance was less satisfactory than their former coverage at work, and 40 percent had postponed or gone without care from a doctor due to cost.[10] Other research shows that only high-deductible policies are offered as qualified coverage options in almost a dozen states, while in as many states, the most generous plan available excludes or severely limits either maternity care, prescription drugs, or mental health benefits.[11] One qualified plan option offered in Ohio during the early years of the HCTC limited covered benefits to a maximum of $1,000 per illness and $5,000 per person per year.[12]

High administrative costs

To date, the HCTC has proven to be an inefficient method for delivering health insurance subsidies. In FY 2004, the IRS spent $42 million to administer the HCTC,

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[7] U.S. GAO (2006).

[8] See www.bcbsnc.com. Rate quote for 55-year old male in Mecklenburg County. Standard rate for Blue Advantage Plan A is $371 per month. The highest risk tier is seven times the lowest risk tier. Taking into account age, the spread in premiums between the youngest, healthiest applicant and the oldest, sickest applicant exceeds 1,300 percent. See also Dorn S, Alteras T, and Meyer J (2005). "Early Implementation of the Health Coverage Tax Credit in Maryland, Michigan, and North Carolina: A Case Study Summary," The Commonwealth fund, April 2005.

[9] U.S. Internal Revenue Service (2005). "Risk Analysis of the TAA Population," Presentation to National Association of State Comprehensive Health Plans annual conference, October 2005.

[10] Claxton G (2006). "Retired Steelworkers and Their Health Benefits: Results from a 2004 Survey," The Henry J. Kaiser Family Foundation, May 2006.

[11] Pervez F and Dorn S (2006). "Health Plan Options Under the Health Coverage Tax Credit Program," The Urban Institute, December 11, 2006.

[12] Pollitz K (2007). "Complexity and Cost of Health Insurance Tax Credits," *Journal of Insurance Regulation,* publication forthcoming.

or $1 for every $2 in subsidy delivered.[13] Most administrative costs are associated with the advance pay credit option.

To operate this program, the IRS must verify eligibility of each enrollee on a real time basis. According to IRS staff, the error rate of eligibility data transmitted by state workforce agencies can reach 50 percent.[14]

Further, to administer the credit, IRS must establish a payment arrangement with each health plan that covers even one HCTC enrollee. In 2005, when just 16,000 people claimed the advance pay credit, more than 900 health plan vendors were participating in the HCTC with an average of 15 new vendors added each week. Any change (for example, in a person's address or eligibility status) or mishap (for example, a late premium payment) requires a correction to the system. These tasks are managed by an outside contractor because IRS information systems cannot accommodate HCTC data needs.[15]

Because the program is so complex, IRS also staffs a call center with trained operators who can provide consumer assistance. In addition, the IRS invested in outreach and public education in the first two years of the HCTC to promote understanding about the subsidy and boost enrollment.

In FY 2005, IRS cut HCTC administrative expenses substantially to $26 million, or about $1 for every $4 of subsidy paid. Some of the cost cutting measures were aimed at outreach and customer assistance that had been important to increasing enrollment.[16]

It is not clear whether the HCTC could benefit from further economies of scale. If more people were to enroll in the credit program, IRS administrative expenses related to eligibility data verification, beneficiary enrollment, health plan relations, invoicing, and consumer assistance would likely need to increase, as well. Whether these tasks could be managed for a program serving millions of beneficiaries instead of just a few thousand is questionable.

The federal government's expenses represent only a portion of administrative costs. Health insurers also incur costs to accommodate the HCTC subsidy. Electronic premium invoicing is not possible for some plans whose systems are not compatible with the IRS. In addition, many of the qualified HCTC coverage options are policies sold in the individual health insurance market, where the administrative costs are also high. An estimated 40 cents of the premium dollar in this market pays for marketing, enrollment, agent commissions, insurer profits, and other costs unrelated to claims.[17]

Moving forward

The health insurance tax credit is built around the TAA program, which is designed to help displace workers get new jobs or new labor skills, not health insurance. If Congress wants to help people get health insurance, specific improvements are needed. The HCTC could be improved in three basic ways: the level of subsidy could be increased, consumer protections could be enhanced, and program complexity could be streamlined.

Increasing the subsidy is straightforward. The credit percentage could be changed to a higher amount. In selecting a level, keep in mind the cash benefits on which TAA recipients rely. Often, these benefits amount to only a few hundred dollars per week. Research shows the take up rate for health insurance drops precipitously when individuals are required to pay more than about five percent of income in premiums.[18]

With respect to consumer protections, consider the circumstances of those who need coverage most. HCTC coverage must be available, affordable, adequate, and administratively simple for people in the most serious circumstances—for example, a worker who loses his job shortly after learning his wife has cancer. By definition, the HCTC target population is working families who have lost job-based coverage and who want to remain well insured. For them to succeed, Congress must protect individuals from medical underwriting and guarantee access to comprehensive coverage at least similar to that offered by large employers. In other health reform discussions, it has been suggested that insurance coverage through the Federal Employees Health Benefits Program (FEHBP) offers a proxy standard for consumer protections. This program offers a choice of mainstream health plans with comprehensive benefits. Enrollees are never denied coverage or charged more based on

[13] U.S. GAO (2007).
[14] Pollitz (2007).
[15] Pollitz (2007).
[16] U.S. GAO (2007) and Pollitz (2007).
[17] Pauly M, Percy A, and Herring B (1999). "Individual Versus Job-Based Health Insurance: Weighing The Pros and Cons," *Health Affairs*, November/December 1999.
[18] Glied S (2006).

health status, age, gender, or other characteristics and pre-existing condition exclusions are never imposed, regardless of an individual's prior coverage history.

Simplifying the HCTC requires several steps. Eligibility and enrollment could be streamlined so that people can find and enroll in subsidized coverage quickly. Ideally, coverage should be seamless. Delivery of the advance pay credit must also be hastened so individuals can be subsidized from their first day in the program. Congress might also promote continuity of coverage by providing for continuous eligibility—for example, for 12 months after initial eligibility is established.

Finally, regardless of any changes Congress may make to the HCTC, greater accountability for this program is desirable. To understand the effect of various program features and changes, Congress must have ready access to information about HCTC enrollment, enrollee characteristics, and health plan costs and characteristics. Especially when taxpayer dollars subsidize premiums, it is reasonable to require justification of health plan rates, benefit design, and other practices. In addition, it is important to better understand the mechanics and cost of administering a private health insurance tax credit in order to know if this program can reasonably become the basis for further coverage expansion. Arguably, the HCTC has been an important experiment in health reform. Experimentation is good as long as data are collected and lessons learned are well documented.

Mr. LEVIN. Thank you very, very much.

Okay, let's keep going, Ms. Furchtgott-Roth.

STATEMENT OF DIANA FURCHTGOTT-ROTH, SENIOR FELLOW AND DIRECTOR OF CENTER FOR EMPLOYMENT POLICY, HUDSON INSTITUTE

Ms. FURCHTGOTT-ROTH. Furchtgott-Roth, thank you very much, thank you very much. Mr. Chairman and Members of the Committee, thank you very much for inviting me to testify here today. Currently, I am a senior fellow at the Hudson Institute and from February 2003 to April 2005, I was chief economist at the U.S. Department of Labor.

In 2007, the United States leads the industrialized world in job creation and our unemployment rate is the lowest in the industrialized world. It is true that we had millions of job losses last year, 55 million separations, but we had 59 million new hires and this is out of a labor force of about 152 to 153 million, so we have a constant turnover all the time.

In May 2007, the Payroll Survey recorded an increase of 157,000 jobs. Compared to August 2003, non-farm payroll employment has increased by over eight million jobs, 45 months of consecutive gains where professional and business services added 1.9 million, education and health services added 1.7 million, hospitality added 1.3 million, trade, transportation and utilities added 1.2 million.

In fact, because our job creation is so strong, employers are complaining about a shortage of workers. Steve Berchem of the American Staffing Association, which represents staffing firms such as Manpower, Inc., reports that his companies are having difficulty recruiting enough skilled workers.

Skilled workers are important for global competitiveness. We live in an open global economy, and we compete against other countries to offer the best environment possible. When our workers lose their jobs, we need to help them find new ones as effectively as possible. We have enough jobs for Americans, our challenge is to facilitate the movement of workers from some sectors to others. The need for skilled workers makes it all the more imperative that we mod-

ernize our workforce training programs and make them as efficient as possible. Workers already have some protection from job loss, about 97 percent of wage and salary workers have Unemployment Insurance. That program gives unemployed workers who numbered 7.3 million in 2006 benefits for up to 6 months.

There are more than a dozen programs organized by the U.S. Department of Labor to help train unemployed workers. I will not describe all but let me review just a few. Workers adversely affected by trade have access to Trade Adjustment Assistance, a program that is projected to help 71,000 workers in Fiscal Year 2007 at a cost of $12,000 per participant. The Workforce Investment Act Program for adults was projected to have 333,000 participants in 2007 at an average cost of $2,600 per participant. Some have proposed expanding TAA and alternatives to TAA, in particular Wage Insurance, to other sectors such as services in order to deal with problems of global competition. However, job creation in the United States is so strong and unemployment is so low that economic circumstances do not warrant an expansion of the program. Americans do not know whether expanding Wage Insurance will solve problems of economic insecurity from globalization but it might be worth trying it in a few states to see if it works rather than imposing a Federal mandate.

With respect to TAA, one reason that more people are not participating in the program might be that they are finding jobs on their own in the many growing industries in the United States, industries such as education and health services and professional business services have hired many more workers over the past year. Another reason, as have just heard, could be because of administrative difficulties in applying for benefits. If this is the case, then it is worthwhile to streamline the applications process of the current program before expanding it.

Other methods to improve TAA could have some effect in shortening the period of unemployment. Workers affected by trade are all different, it would be beneficial to have one-stop staff work with TAA recipients to develop individualized plans to find new jobs and determine under what circumstances training is likely to have a large positive effect.

TAA recipients could be required to register at One-Stop career centers and periodically check computerized listings for suitable jobs. The One-Stops could provide funds to cover direct training costs and stipends to provide income support but only in cases where the One-Stop staff certified training is likely to have a high payoff. In order to further increase incentives to take the best available job, DOL could pay the additional cost of transportation to cover commuting to a job far from home for up to 2 years.

In summary, economic circumstances do not warrant expanding TAA at the present time. Job creation has been strong and unemployment is low. A few changes in the administration of the program could make it more efficient without overall expansion. Further, integrating different types of Federal training programs and making them more efficient would help the unemployed make the best use of these services and obtain a new job more quickly.

Thank you very much for giving me the opportunity to come before you and testify today.

[The prepared statement of Ms. Furchtgott-Roth follows:]

Prepared Statement of Diana Furchtgott-Roth, Senior Fellow and Director of Center for Employment Policy, Hudson Institute

Mr. Chairman, members of the Committee, I am honored to be invited to testify before your Committee today to speak on the subject of promoting U.S. worker competitiveness in a global economy and the effectiveness of Trade Adjustment Assistance.

Currently I am a senior fellow at the Hudson Institute. From February 2003 until April 2005, I was chief economist at the U.S. Department of Labor. From 2001 until 2003, I served at the Council of Economic Advisers as chief of staff and special adviser.

In 2007, the United States leads the industrialized world in job creation, and our unemployment rate is among the lowest in the industrialized world. In contrast, unemployment rates in most other countries are far higher. In April 2007, the latest month for which comparable data are available, Americans had an unemployment rate of 4.5 percent, while unemployment rates in the Eurozone were 7.1 percent; in France, 8.6 percent; in Germany, 6.7 percent; in Spain, 8.2 percent; and in Canada, 6.1 percent. Only Japan had a lower rate than the United States, and its economy is characterized by a slower rate of GDP growth.

In May 2007, the payroll survey recorded an increase of 157,000 jobs. Compared to August 2003, nonfarm payroll employment has increased by over 8.0 million jobs, 45 months of consecutive gains, where professional and business services added 1.9 million, education and health services added 1.7 million, leisure and hospitality added 1.3 million, trade, transportation, and utilities added 1.2 million, construction added 910,000, government added 653,000, and financial activities added 436,000. The household survey showed a gain of 157,000 employed workers in May 2007 as well, and a gain of over 8.4 million employed workers since August 2003.

In fact, because our job creation is so strong, employers are complaining about a shortage of skilled workers. Steve Berchem of the American Staffing Association, which represents staffing firms such as Manpower, Inc, reports that his companies have difficulty recruiting enough skilled workers. According to Mr. Berchem, "Our members are saying that they have more job orders than qualified candidates to fill them, especially for skilled and professional positions. Demand has increased for recruiting and permanent placement services because our members' clients are having difficulty filling positions due to lack of available talent. The U.S. staffing industry needs a larger labor supply to meet growing demand."

And Microsoft Chairman Bill Gates also reported a shortage of skilled workers. Testifying on March 7, 2007 before the Senate Committee on Health, Education, Labor, and Pensions, he said that "America's need for highly skilled workers has never been greater," and called for an increase in the number of permanent residents, skipping the bureaucratic H1–B visa process altogether.

Mr. Gates stated that "Barring high skilled immigrants from entry to the U.S., and forcing the ones that are here to leave because they cannot obtain a visa, ultimately forces U.S. employers to shift development work and other critical projects offshore—If we can retain these research projects in the United States, by contrast, we can stimulate domestic job and economic growth."

Skilled workers are important for global competitiveness. We live in an open, global economy, and we compete against other countries to offer the best environment for investment and for firm location. We want firms to locate and expand in the United States, creating jobs here rather than going offshore. In order to do that, we need to provide a ready supply of labor and keep the smartest entrepreneurs and workers here. When our workers lose their jobs, we need to help them find new ones as effectively as possible.

We have enough jobs for Americans—our challenge is to facilitate the movement of workers from some sectors to others. The need for skilled workers makes it all the more imperative that we modernize our workforce training programs and make them as efficient as possible.

Workers already have some protection from job loss. About 97% of wage and salary workers have unemployment insurance (UI), a federal-state program funded by employer payments that rise with the number of firm layoffs. The program gives unemployed workers, who numbered 7.3 million in 2006, benefits for up to six months. Qualifications and benefit levels are set by individual states.

There are more than a dozen programs organized by the U.S. Department of Labor to help train unemployed workers. I won't describe all, but let me review just a few. Workers adversely affected by trade have access to Trade Adjustment Assistance, a program that is projected to help 71,000 workers in FY 2007, at a cost of

$12,000 per participant. Alternative Trade Adjustment Assistance (ATAA) compensates manufacturing workers age 50 and older who lose jobs to imports. If these workers take a job paying less than their previous position, they receive half the difference in wage between their new job, up to a level of $5,000 annually, for 2 years, a concept called "wage insurance." About 2,350 workers signed up in 2005, the latest full year available.

The Workforce Investment Act program for adults is projected to have 333,000 participants in PY 2007, at an average cost of $2,600 per participant. This has a network of "One-Stop Centers" where unemployed workers can register for benefits, training, and available job openings. A related program, the Workforce Investment Act program for dislocated workers will have 360,000 participants, at an average cost of $4,000. The Wagner Peyser Employment Service is projected to help 13 million participants, at a cost of $55 each. Other programs, for youths, Native Americans, older Americans, and migrant and seasonal farmworkers, also make important contributions.

Some have proposed expanding TAA and ATAA, in particular wage insurance, to other sectors, such as services, in order to deal with problems of global competition. However, job creation in the United States is strong, and unemployment is low, such that economic circumstances do not warrant an expansion of the program.

Americans don't know whether expanding wage insurance will solve problems of economic insecurity from globalization. But it might be worth trying in a few states to see if it works, rather than imposing a federal mandate.

With respect to TAA, one reason that more people are not participating in the program might be that they are finding jobs on their own in the many growing industries in the United States. Industries such as education and health services and professional and business services have hired many more workers over the past few years.

Another reason could be because of administrative difficulties with applying for benefits. If this is the case, then it would be worthwhile to try to streamline the application process of the current program before expanding it.

Other measures to improve TAA could have some effect in shortening the period of unemployment. Workers affected by trade are all different, and it may be beneficial to have One-Stop staff work with TAA recipients to develop individualized plans to find new jobs and determine under what circumstances training is likely to have a large positive effect.

TAA recipients could be required to register at One-Stop career centers and periodically check computerized job listings for suitable jobs. Then, One-Stop staff could monitor recipients' job search to ensure that they are effectively looking for work.

The One-Stops could provide funds to cover direct training costs and stipends to provide income support, but only in cases where One-Stop staffs certify training is likely to have a high payoff.

In order to further increase incentives to take the best available job, DOL could pay the additional cost of transportation to cover commuting to a job far from home for up to 2 years and paying a portion of relocation expenses. However, relocation payments should be contingent on remaining employed in an area for at least six months.

Before expanding any program, it's necessary to make sure that One-Stops are making the best use of their resources. We should use high-quality measures and standards to hold One-Stops accountable for ensuring funds go to workers assiduously searching for new jobs or obtaining training likely to have a large effect on subsequent earnings.

We also need to redirect the use of training funds to include more community colleges for helping unemployed workers. Community colleges provide some of the best training in the country. They train the majority of nurses and emergency personnel. Forty-five percent of the nation's freshmen are enrolled in community colleges. Studies have shown that when unemployed workers take targeted technical courses at community colleges, their future earnings increase.

For recipients not in training, an ideal performance measure would capture how much quicker recipients return to work than otherwise would be the case. For recipients in training an ideal measure would capture how much higher are their earnings and how much better are other aspects of their jobs than otherwise would be the case. The earnings/job-quality measure also is an appropriate secondary measure for recipients not receiving training.

In addition to workforce training, America needs to take a fundamental look at how we educate workers before they join the workforce. We need to lower our high-school dropout rates, if necessary by incorporating vocational training into the last years of high school, and encourage young people to get as much education as pos-

sible. This will prepare them for a succession of careers, rather than just one, and enable them to change jobs more easily.

In summary, economic circumstances do not warrant expanding TAA at the present time. Job creation has been strong, and unemployment is low. A few changes in the administration of the program could make it more efficient without overall expansion. Further, integrating different types of federal training programs and making them more efficient would help the unemployed make the best use of these services and obtain a new job more quickly.

Thank you for giving me the opportunity to appear before you today. I would be glad to answer any questions.

Mr. LEVIN. Thank you.

Ms. McDonald-Pines.

STATEMENT OF JANE M. MCDONALD-PINES, WORKFORCE POLICY SPECIALIST, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Ms. MCDONALD-PINES. Thank you, Mr. Chairman and Members of the Committee for the opportunity to testify on approving programs that help workers affected by trade and globalization. Millions of workers are suffering from the displacement effects of trade and the need to help them exist independently over the debate over our trade policies. Though we want to prevent the injuries for sure, we firmly believe that that the Federal Government has an obligation to re-training, re-employment assistance, health care and income support to workers who lose their jobs due to Federal trade policy.

I would like to focus on four key recommendations for improving the Trade Adjustment Assistance program: The first, no worker should be denied assistance, particularly TAA training, due to insufficient funds. Help for laid off workers has always been modest compared to the benefits from trade. The U.S. currently spends less than $1 billion on TAA, while some claim that the U.S. economy gained $1 trillion a year from trade. Funding for TAA training should not be capped. Help for workers should not be nullified because of limited funding, flawed certification, the state in which the worker happens to live or when the layoff occurs. The current method for distributing TAA funds is deeply flawed, as Sig Nilsen from GAO pointed out, because the formula reflects pass not current demands. This leads to two undesirable results: Some states experience funding shortfalls while at the same time other states have unobligated funds and many states then seek to ration training services to keep within the constraints of their TAA allocation, short-changing workers.

Our second recommendation is that TAA must be made available to all workers displaced by Federal trade policies. The TAA program must cover secondary workers, as well as those affected by technology, service and public sector offshoring. However, expanding eligibility without a guarantee of adequate funding is an empty promise.

Third, we have got to improve outreach and access to TAA training. We know displaced workers need counseling, yet there are no TAA funds available to pay for this help. Funds for programs like the Employment Service have been consistently cut. As GAO pointed out, in one state Employment Service funds were able to pay for

only a single case manager, who had to cover three counties and serve 1,000 workers. Congress should fund outreach, early intervention, improved certification and case management through the state Unemployment Insurance and Employment Service agencies. These state agency staff already provide access to unemployment benefits and TAA benefits and provide counseling job search. Also, a state-wide system has the ability to respond flexibly to layoffs around the state as they occur.

We also must improve the Health Coverage Tax Credit. As you heard, we have got to increase the premium subsidy up to 90 percent, provide fallback coverage and presumptive eligibility.

Fourth, we really do need to provide quality training that is linked to the creation and retention of good jobs. Compared to the Workforce Investment Act, TAA serves workers that are older and less education and TAA offers them the chance to get long-term training and income support. Congress should expand TAA training that leads to good jobs through quality on-the-job training and labor management initiatives that save jobs, improve wages and make industries more competitive. We know that programs that provide long-term training for dislocated workers can have positive results. One year at a community college raises displaced worker earnings by about 5 percent. A long-term training program for dislocated workers in Washington state resulted in job placements that averaged 93 percent of pre-layoff earnings.

We also need to think more strategically about linking TAA with new opportunities and energy technology. Already the renewable energy industries are experiencing a lack of skilled workers. Earlier this week, the Senate by unanimous consent passed an energy jobs training bill that will create a national and state framework for providing labor market information, research and training in renewable energy and energy-efficiency areas. The Apollo Alliance, a coalition of labor, business and environmental groups estimates that three million new jobs could be created over the next 10 years through these energy efficiency initiatives.

In the time I have remaining, I would like to briefly address two other issues of concern. We need to restore UI eligibility to a higher percentage of workforce, increase benefits and address the underfunding of administration. As Representative McDermott knows, we support efforts to provide $7.4 billion over 5 years through an extension of the food surtax to encourage states to improve and modernize their UI programs.

Secondly, Wage Insurance. The preceding list of TAA and UI reforms is a long one. It makes no sense to divert funding away from these improvements to pay for an expanded Wage Insurance Program. We believe it is more important to invest in quality training, including on-the-job training.

Mr. Chairman and Members of the Committee, we look forward to the opportunity to continue working with you as this legislation moves forward and thank you again.

[The prepared statement of Ms. McDonald-Pines follows:]

Prepared Statement of Jane M. McDonald-Pines, Workforce Policy Specialist, American Federation of Labor and Congress of Industrial Organizations

On behalf of the more than 10 million working men and women of the AFL–CIO, thank you, Chairman Rangel, Ranking Member McCrery and members of the Committee, for this opportunity to testify on our recommendations for improving programs designed to help workers affected by federal trade policies.

While programs such as Trade Adjustment Assistance (TAA) are important, it must be emphasized that they are no substitute for good trade policies that create and retain good jobs in the United States. This is why the conversation about improving these programs should be separate from the debate over Trade Promotion Authority and trade agreements. Millions of workers are suffering from the displacement effects of our trade policies. The need to help them exists independently of the debate over these trade policies.

The TAA program must honor the promise made to workers since 1962: that the federal government will provide retraining, reemployment assistance, and income support to workers who lose their jobs due to federal trade policies. These workers are forced to pay the price for federal policy decisions that benefit other Americans, and they deserve to be made whole for their loss.

We believe that TAA's greatest strength is that it supports long-term, intensive training and extended income support. Unfortunately, many laid-off workers are still not eligible for these benefits, and others are not receiving the benefits to which they are entitled.

Today I would like to focus on four key recommendations for improving and expanding TAA.

1. No Worker Should be Denied TAA Training Due to Insufficient Funds

Funding for TAA training should not be capped

To meet the commitments made to workers who are displaced because of federal trade policy, TAA must be accessible and available to any worker who qualifies. Specifically, there is no reason why any worker displaced because of federal trade policy should be denied TAA training due to a lack of federal funding.

Yet we know this is happening. Eligible workers who want and need TAA training are being turned away or put on waiting lists because their state training allocation has been exhausted. According to a 2004 GAO study 35 states expected that available TAA training funds for FY 2004 would not cover the amount they would obligate and spend for TAA-eligible workers—18 states estimated the gap at over $1 million.[1] The most recent GAO report confirms that this continues to be a problem in many states.[2]

The current cap on TAA training makes no sense. Why should the commitment to trade-impacted workers be nullified simply because of flawed program design, or inadequate administration, insufficient appropriations from Congress, or the state in which the worker happens to live, or the timing of the worker's layoff?

Competition for scarce budgetary resources is no excuse for failing to lift the cap on TAA training. Help for laid-off workers has always been modest compared to the gains claimed for trade. The U.S. currently spends less than $1 billion on TAA, while it is claimed that the U.S. economy gains $1 trillion a year from trade. The U.S. ranks last among 21 high and median-income OECD countries in terms of the share of GDP devoted to active labor market policies such as job search and training. Only .14% of the nation's GDP was devoted to these programs in 2003, compared to Denmark, which spends more than 5% of its GDP on unemployed assistance and 2% of GDP on active labor market programs. We spend about 1/10τη as much as France and Germany do on active labor market programs.[3]

The flawed system for distributing TAA funds must be reformed to improve efficiency

The most recent GAO report confirms that the current method for distributing TAA training funds is inefficient and deeply flawed because the Department of Labor uses a formula that reflects past, not current, demand.[4]

This basic flaw leads to two undesirable results: (1) some states experience funding shortfalls at the same time that other states have unspent funds at the end of

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[1] GAO, *Trade Adjustment Assistance: Reforms Have Accelerated Training Enrollment, but Implementation Challenges Remain*, GAO–04–1012. September 2004.

[2] GAO, Trade Adjustment Assistance: Changes to Funding Allocation and Eligibility Requirements Could Enhance States' Ability to Provide Benefits and Services, GAO–07–701. May 2007.

[3] Organization for Economic Cooperation and Development, *Employment Outlook*, 2003.

[4] GAO, *Trade Adjustment Assistance: Changes to Funding Allocation and Eligibility Requirements Could Enhance States' Ability to Provide Benefits and Services,* GAO–07–701. May 2007.

the fiscal year; and (2) many states seek to ration training services to keep within the constraints of their base TAA allocation.

The lack of a dedicated funding stream encourages states to husband their funding until the end of the fiscal year. While this incentive to self-ration has kept down the cost of TAA training in recent years, these savings are achieved by short-changing workers.

This self-rationing is confirmed by the fact that training costs have been held down in recent years since states do not know what future resources they will receive. We have seen states like Michigan and Illinois experience shortfalls in training funds due to the extraordinary demand for help. Ohio has had to limit the duration of training due to funding shortages.

As the recent GAO report confirms, the incentive to self-ration training is that some states have unspent training funds left over at the end of the year. This inefficiency would not occur if states did not have to worry about running out of funding. DOL compounds the problem by withholding national reserve funds until the end of the fiscal year, which skews the amount of, unspent training funds.

Short of allowing workers to draw down from an uncapped federal TAA training fund, one alternative would be to model the system for distributing TAA training funds to the states after the system for distributing Unemployment Insurance (UI) state administrative grants. Each state would receive an annual base allocation for training, case management, and administration, which could be based on recent certifications. This base level of funding could be supplemented by a contingency/reserve that is responsive and readily available to meet fluctuating demands. Under this system, states would have less incentive to deny workers training and would be less likely to have unspent funds at the end of the fiscal year.

2. Make TAA Available to All Workers Displaced by Federal Trade Policies

All workers who are forced to sacrifice their livelihoods so that other Americans may benefit from federal trade policies should be made whole for their loss, regardless of whether they were employed in the manufacturing sector. But **we cannot emphasize enough that expanding eligibility without a guarantee of adequate funding is an empty promise.**

Cover service and public sector workers

The TAA program does not currently cover the thousands of technology and service sector workers who find themselves jobless when their employers outsource their work overseas. TAA should be expanded to cover service and public sector workers who have been displaced by trade policy.

Ensure that all secondary workers are served

In 2002 the TAA program was expanded to cover secondary workers, such as parts manufacturing workers who lose their jobs when the primary firm moves its operations to another country.

However, few secondary workers are receiving benefits. According to the latest GAO report, just 7 percent of workers covered by TAA were secondary workers in FY 2004–2006.[5] In an earlier report, GAO found that no state has developed procedures to identify workers who are secondarily affected by a trade-related layoff in another state.[6]

Improve TAA certification

Many potentially eligible workers are not able to access TAA because the Department of Labor has erroneously denied workers' request for TAA certification.

In the past 5 years, courts such as the Court of International Trade have issued numerous orders directing the Department of Labor to reconsider erroneous denials of TAA to hundreds of trade-affected workers.[7] Workers have suffered protracted delays in getting assistance as a result of these errors. Many more workers become discouraged and give up, or lack the resources to pursue appeals.

While the Department of Labor has made some changes, Congress must require that the TAA certification process include a thorough review of TAA petitions—including full consultation with all affected parties, most specifically affected workers and their unions.

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[5] GAO, Trade Adjustment Assistance: Changes to Funding Allocation and Eligibility Requirements Could Enhance States' Ability to Provide Benefits and Services, GAO–07–701. May 2007.

[6] GAO, *Trade Adjustment Assistance: Reforms Have Accelerated Training Enrollment, but Implementation Challenges Remain*. GAO–04–1012. September 2004

[7] Judge Delissa A. Ridgway. Slip Op. 06–132. United States Court of International Trade.

Industry-wide certification, in addition to improved outreach, would reduce some of the difficulties workers face in accessing and qualifying for TAA, and would make eligibility determinations more equitable, faster, and more predictable.

3. Improve Outreach and Access to TAA Training

Since 2001 we have lost 3 million manufacturing jobs, many of them as a result of U.S. trade policies. Clearly only a fraction of eligible dislocated workers are being served by the current TAA training program. Many of the workers most in need of TAA training are already eligible, but are not able to access the program. In addition to ensuring that no eligible worker is denied training due to insufficient funds, much more needs to be done to improve outreach and access and make TAA training a more viable option for dislocated workers.

Fund outreach, case management, assessment, referral and support services through state Unemployment Insurance (UI) and Employment Security (ES) agencies

As the most recent GAO report points out, there are no funds available under the current TAA program to pay for outreach, job matching, case management, and support services to provide workers with the help they need to transition effectively and make informed decisions about training.

It is not surprising that there has been a decline in TAA participation when resources to help workers enroll and participate in the program are so limited. The GAO report notes that in one state administrative funds were exhausted by the end of the first quarter. In another state Wagner-Peyser ES funds were able to pay for only a single case manager who "had to cover three counties and serve approximately 1000 workers."[8]

In past years, when resources were more substantial, states were expected to use state agency personnel in the Wagner-Peyser employment service to provide such services. This program, a companion to the state unemployment service, uses state civil service employees to provide labor exchange services, including job matching, counseling, skills assessment, and other services for job seekers and employers, statewide. However, in real dollar terms, Wagner-Peyser employment service state grants have dropped by $200 million since 2001. The decline is close to $700 million since 1985 in inflation adjusted dollars.

Neither Wagner-Peyser ES funding nor WIA funding should be expected to provide these needed services for TAA participants. This is robbing Peter to pay Paul. To divert these already limited funds to help trade-affected workers means providing less help for non-trade affected workers.

Increasing TAA funding for outreach, case management, assessment, referral and support services through the state Unemployment Insurance and Employment Service agencies is the most effective and efficient way to help trade impacted workers for several reasons. First, since TAA eligible workers are most likely to be identified first when they file for unemployment benefits and then Trade Readjustment Allowances (TRAs) with the state agency, strengthening the state agencies' ability to assist them with job search and other services as early as possible is important. Second, maintaining this function at the state level will help facilitate TAA coordination with the WIA state rapid response program. And, third, this statewide structure provides the flexibility to quickly move resources from one part of a state to another as circumstances change and to ensure a professional workforce to provide the complex services that workers need on a uniform and impartial basis.

Improve the Health Coverage Tax Credit (HCTC)

Most TAA participants will find it very difficult to participate in sustained training unless they have health insurance coverage for themselves and their families. In 2002 Congress created the Health Care Tax Credit (HCTC) to assist TAA recipients to receive affordable health care. However, Congress must improve HCTC if it is to be fully effective.

Increase Affordability

In its most recent report, GAO states, "the high cost of the health coverage benefit to participants is the greatest barrier to participation." [9]Congress should increase the subsidy to 90% and provide fallback coverage through plans like the Federal Employee Health Benefit plan or Medicare.

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[8] GAO, *Trade Adjustment Assistance: Changes to Funding Allocation and Eligibility Requirements Could Enhance States' Ability to Provide Benefits and Services,* GAO–07–701. May 2007.
[9] Ibid.

Address Gaps in Coverage

Delays in TAA and HCTC processing can mean laid-off workers have lapses in coverage that disqualify them for consumer protections necessary to get coverage. Congress should allow for presumptive eligibility so that workers who are TAA eligible are HCTC eligible and disregard lapses in coverage that occur through no fault of the worker.

Improve Administration

HCTC is a complicated program to administer. The Department of Labor and the Internal Revenue Service must work with the states to find ways to improve access to the tax credit for eligible workers.

Expand training deadlines

We know that one academic year of community college raises displaced workers' earnings by about 5 percent over and above what they would have been without further education.[10] Yet many TAA participants cannot enroll in training because deadlines for enrollment in training are too restrictive, Congress should extend the training enrollment deadlines to make it easier for workers to access training.

Improve TAA income support

In many states income support is not sufficient to enable workers to enroll in long-term training. The amount of the TRA is the same as the most recently weekly UI benefit—a national average of approximately $260/week.

Prior to 1981, workers received TRA and UI combined that were equivalent to 70% of their prior pay, up to a maximum of the average manufacturing wage. Pending improvements in UI for all unemployed workers, restoring the 70% wage replacement benefit would significantly remedy this shortcoming and provide the economic foundation for workers to engage in long-term training.

4. Provide Quality Training That Is Linked To The Creation and Retention of Good Jobs

Improving access to TAA training and expanding eligibility are necessary, but not sufficient by themselves to make dislocated workers whole for job loss caused by U.S. trade policies. TAA training must be improved to put more workers on a career path towards good jobs with good wages and good benefits.

Support strategies that focus on creating and maintaining good jobs

A good jobs strategy must include policies designed to create and retain good jobs with good benefits. Congress should create early intervention and community adjustment programs that involve all stakeholders, including organized labor, in addressing the effects of dislocation and globalization. The Steel Valley Authority in Pennsylvania, for example, is directly engaged in layoff aversion efforts to help retain good manufacturing jobs.

Expand programs that promote partnerships between government, employers, and labor to support job retention and creation, as well as regional economic and community development

Congress should support training that leads to good jobs, including properly structured on-the-job training, as well as model labor-management sectoral initiatives that have proven successful in saving jobs, improving wages, and making industries more competitive. We believe such high-road initiatives offer a stark contrast to wage insurance, which promotes downward economic mobility and subsidizes low wage employers, with no guarantee of on-the-job training that provides transferable skills.

There are many examples of high-road labor-management partnerships in manufacturing, health care, telecommunications, and hospitality. Through collaboration with government and community organizations, these partnerships assess industry skill needs, and implement programs that create career ladders and train workers in high-growth, high-wage occupations.

Establish links between TAA and new opportunities in energy technology

We are particularly excited about the opportunities presented by the potential for "green collar" jobs in the renewable energy and energy efficiency sector.

The Apollo Alliance—a coalition of labor, business and environmental groups—focuses on the development of "green collar" jobs that create sustainable economies,

[10] Robert Lalonde. *The Returns of Going Back to School for Displaced Workers*. University of Chicago. Winter 2002. http://harrisschool.uchicago.edu/About/publications/research-report/winter02/displace-wokers.asp.

energy independence, good wages and benefits, and healthier communities. The Alliance estimates that as many as 3 million new jobs could be created over the next 10 years if the country launches a comprehensive effort to build a renewable energy future.[11]

These jobs would produce environmentally-friendly products and services such as construction of green schools, solar panel manufacturing, energy efficiency retrofits of homes, and environmental clean up and restoration.

Already, the renewable energy and energy efficiency industries are experiencing a lack of skilled workers. A 2006 study from the National Renewable Energy Lab (NREL) identified shortage of skills and training as a key business constraint. In particular, the NREL identified a number of critical unmet training needs, including lack of reliable installation, maintenance, and inspection services, the shortage of key technical and manufacturing skills, and failure of the educational system to provide adequate training in new technologies.[12]

As an example of one state's response in Pennsylvania, Gov. Rendell is using state policies to promote and develop renewable energy to attract wind, solar, and battery manufacturing to the states. He has attracted companies that have taken former closed steel mills and created good union manufacturing jobs in building wind turbines.

Invest in quality training programs

Proponents of wage insurance sometimes argue that the existing job training programs do not work. This is a broad and simplistic statement. While some retraining programs have not always provided a smooth transition to equivalent employment, there is substantial evidence that retraining programs have benefited workers and can serve as the template for successful transitions for workers affected by federal trade policies.

We need to better understand how factors like economic conditions and, participant characteristics play an important role in determining outcomes for training. Workers participating in retraining programs often train for a new occupation and a new industry. Skills that are specialized for their previous jobs may not be compatible with a new employer.

Careful design of programs is essential. Individual Training Accounts are not the answer to addressing concerns about the effectiveness of training. The answer is to improve the effectiveness of job training and education programs, not to cap training or to encourage workers to forego job training. As noted earlier one academic year of community college raises displaced workers' earnings by about 5 percent over and above what they would have been without further education. Programs that provide long-term training for dislocated workers can have positive results and a significant return on the investment. For example, a long-term training program for dislocated workers in Washington State resulted in job placements that averaged 93% of the pre-layoff earnings.[13]

At this point, I would like to briefly address two other policy options targeted at dislocated workers—Unemployment Insurance and Wage Insurance.

Unemployment Insurance

Since TAA is directed at a very narrowly defined set of workers who lose their jobs due to federal trade policy, other unemployed workers who lose their jobs due to trade policy or other causes must continue to rely on the Unemployment Insurance (UI) program as a critical safety net.

The UI system is in a state of disrepair and demands our urgent attention. Much more needs to be done to restore UI eligibility to a higher percentage of the workforce, to restore higher benefit levels, to repair the dysfunctional extended benefits (EB) program, and to address the severe under-funding of UI and ES administration.

We now have an opportunity to make a down payment on much-needed repairs to the UI/ES system. The Bush Administration supports extension of the FUTA surtax, which will generate $7.4 billion over five years. The FUTA is a dedicated payroll tax whose purpose is to fund the UI system and we see no reason why this $7.4 billion in additional revenue should not be dedicated to repairing the UI system.

For this reason, we very strongly support H.R. 2233, a UI reform bill recently introduced in the House of Representatives by Representative McDermott, as well as

[11] Apollo Alliance. *New Energy For America: Apollo Jobs Report.* www.apolloalliance.org.

[12] Margolis and Zuboy, *Nontechnical Barriers to Solar Energy Use: Review of Recent Literature.* National Renewable Energy Laboratory, 2006.

[13] Washington State Workforce Training and Education Coordinating Board, *Training Benefits Program Review.* December 2002.

companion legislation to be introduced in the Senate. These bills would allocate as much as $7.4 billion over five years to encourage states to modernize their UI programs. Among other things, both bill would provide incentives for states to support workers enrolled in training programs for high-demand occupations, which is an especially good idea that fits within a broader strategy of helping workers get good jobs. For more details about his legislation I refer you to the testimony of Thea Lee, Policy Director for the AFL–CIO, at the Ways and Means Income Support Subcommittee hearing on March 15, 2007.

Wage Insurance

The preceding list of critically needed TAA and UI reforms is a long one: lifting the cap of TAA training; expanding outreach and access to TAA training; expanding TAA eligibility; making TAA training a more viable option for dislocated workers by improving HCTC and TRA income support and repairing the ES/UI system.

We know these reforms cost money, and it would be optimistic to think that all these reforms could be funded today. So given the difficulty of the challenge, we believe it makes no sense at all to divert available funding away from this reform agenda to pay for wage insurance—either as an expansion of the current Alternative Trade Adjustment Assistance (ATAA) program, or as a larger-scale program available to non-trade impacted workers.

All of the TAA and UI reforms we propose are designed to put more workers on a career path of good jobs with good wages and good benefits. We are concerned that wage insurance, by contrast, would promote downward economic mobility, take jobs away from lower-skilled workers and subsidize lower-wage employers, as explained by AFL–CIO President John Sweeney in his recent letter to Senator Schumer.

For a more detailed explanation of our concerns about wage insurance, I refer you to the testimony of AFL–CIO Policy Director Thea Lee before the Ways and Means Income Support Committee on March 15, 2007.

In short, we believe that the arguments for wage insurance are seriously flawed. The most commonly invoked argument for wage insurance is that it promotes "rapid reemployment" by inducing dislocated workers to consider and accept lower-paying jobs that they would not otherwise want.[14] If this is true, then we believe the intended outcome may not be good for workers' long-term job prospects.

Helping workers find "rapid reemployment" in good jobs is a good thing, and programs such as the Employment Service (ES) that promote rapid reemployment by matching workers with appropriate employment need much more funding. But promoting "rapid reemployment" by getting skilled workers to take bad jobs rather than retrain for good jobs may not be good for workers.

To the extent that wage insurance does induce workers to take lower-paying jobs, it may also harm other workers who otherwise would have gotten those jobs. This was the finding of the only economic modeling on wage insurance that has been performed to date. Since the workers displaced by wage insurance would be lower skilled workers, this displacement raises serious equity concerns.

Some advocates of wage insurance claim that rapid reemployment is not their intention. They claim their intention is to mitigate hardship for dislocated workers who are already being forced to accept lower paying jobs. This argument ignores the fact that wage insurance is likely to induce workers to take lower paying jobs that they would not otherwise take, regardless of anyone's intentions. And this rapid reemployment effect would cause displacement of lower skilled workers, regardless of anyone's intentions. Advocates of wage insurance cannot say what proportion of the participants in a wage insurance program would accept lower-paying employment even without the wage subsidy, but it is clearly less than 100%.

The second most commonly-invoked argument for wage insurance is that it would subsidize employers to provide on-the-job training, which is claimed to be more valuable to workers than traditional TAA training, so that inducing worker to take lower-paying jobs might not harm their long-term job prospects.[15] However, there

[14] *See*, *e.g.*, Howard Rosen, Testimony Before the Ways and Means Subcommittee on Human Resources (May 4, 2006) ("Wage insurance is specifically designed to encourage people to return to work sooner than they might have otherwise"); Robert Litan, Lael Brainard, and Nicholas Warren, "A Fairer Deal for America's Workers in a New Era of Offshoring," Brookings Institution (May 2005) ("A main purpose of wage insurance is to accelerate the pace at which permanently displaced workers are reemployed").

[15] *See* Lael Brainerd, Testimony Before the Joint Economic Committee (February 28, 2007) The retraining that a displaced worker receives on a new job provides new skills that contribute directly to his or her performance in the new job and is thus directly useful not only to the worker but also to the new employer"); Howard Rosen, Testimony Before the Ways and Means Subcommittee on Human Resources (May 4, 2006) ("In addition, it is hoped that the new em-

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is no requirement that employers use any subsidy derived from wage insurance to give workers any kind of training, must less valuable training. This stands in contrast to employer requirements under the on-the-job training (OJT) program of traditional TAA.

Research tells us that lower-wage employers are the least likely to offer training that provides workers with transferable skills so this argument is more wishful thinking than anything else. Workers with the highest wages and the most formal education receive the most extensive workplace education, while workers with the lowest wages and least education receive the least extensive workplace education.[16]

[16] Ahlstrand, Bassi, and McMurrer, Workplace Education for Low-Wage Workers, W.E. Upjohn Institute for Employment Research. 2003.

To make matters worse, the employers that would derive a subsidy from wage insurance are, be by definition, lower-wage employers. Wage insurance advocates need to explain how payments to individual workers would act as a subsidy for employers. One possibility is that wage insurance could subsidize employers by allowing them to pay lower wages to participants in the program. Another possibility is that it could operate to lower wage levels for non-participants.

Finally, advocates of wage insurance argue that dislocated workers are already suffering income loss upon reemployment, and this program cannot be ignored. We agree that the problem of income loss for dislocated workers is very real and cannot be ignored. But the question is what to do about it. We think the best response is to use available resources to prevent as many workers as possible from having to accept income loss, not to induce more workers to take bad jobs that they would not otherwise want.

Though information on the Alternative Trade Adjustment Assistance (ATAA) program is quite limited it is worth noting a story that appeared in the Los Angeles Times recently. The story described two workers who received wage insurance and are now employed by *Target* and *Krispy Kreme* respectively.[17] Though they are receiving wage insurance currently they are also worried about what will happen when their wage insurance runs out next year. What answer can we give them?

We do not accept that the problem is the unwillingness of stubborn workers to take bad jobs, so the solution is not to get worker to take bad jobs they would otherwise want. The problem is that there are not enough good jobs available and there are not enough resources available to help workers find and quality for the good jobs that are available. It follows that limited budgetary resources should be dedicated to helping workers find and qualify for good jobs with good benefits, and for making sure those jobs are available in the first place. They should not be diverted to induce workers to take bad jobs.

Mr. Chairman and members of the Committee, we appreciate the opportunity to present our views on these vitally important issues and look forward to the opportunity to continue working together as the legislation moves forward.

Mr. LEVIN. Thank you very much.

Mr. Rosen?

STATEMENT OF HOWARD ROSEN, EXECUTIVE DIRECTOR, TRADE ADJUSTMENT ASSISTANCE COALITION

Mr. ROSEN. Members of the Committee, it is an honor to appear before you this morning, and I congratulate you for your staying power.

Mr. LEVIN. Same to you, Mr. Rosen.

Mr. ROSEN. Well, thank you. I have, I guess I do not know if it is the honor or not of being the last of 12 people testifying before you today. I am not sure if I should make my presentation or respond to the preceding 11 people. I will try to do both. But before

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ployer will provide on-the-job training, which has proven to be the most effective form of training"); Robert Litan, Lael Brainard, and Nicholas Warren, "A Fairer Deal for America's Workers in a New Era of Offshoring," Brookings Institution (May 2005) ("The retraining that displaced workers receive on a new job is the best kind—in sharp contrast to generalized training programs such as those available under TAA").

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[17] "*Aid plan for unemployed workers gains support.*" Los Angeles Times. April 9, 2007.

I do, I hope you do not mind me saying, and if this is not inappropriate, that it is much easier sitting in front of Mr. Stark than behind him.

Forty-five years ago, Congress made a commitment to assist American workers and their families, who lose their jobs due to international trade. Intense domestic and international competition makes this commitment even more important today.

Before I go further, I want to make one very important point and that is that we are meeting at a critical time. Trade Adjustment Assistance authorization expires at the end of September. We know from previous experience that any lapse or temporary extension could cause considerable havoc and disruption to American families and workers who are already facing probably the most serious financial crisis in their lives. I hope that Congress will not allow the program to expire.

Listening today, I come up with three conclusions. Number one, if you listen to the previous panel, the eloquent testimonies of the previous panel, Trade Adjustment Assistance works. If anyone has any questions, I ask them to read the testimonies that were given this morning. The second conclusion that I come to today is that Trade Adjustment Assistance and all these workforce programs are wonderful when they are in my state, but if we do them nationally, I am concerned about how much they cost, if they are effective and if there is waste, fraud and abuse. But somehow in everyone's state, those concerns are not there. The third is that there has been this kind of false debate between general programs and targeted programs. I do not know why one has to come at the expense of another. Yes, we need to strengthen both our general and our targeted programs.

There has been a lot of data that has been thrown around this morning. I cannot go in and respond to all of it today, I would be more than happy to do that if you want to ask me.

So, I just want to leave you with a few comments. Number one, Trade Adjustment Assistance is not a substitute for trade policy. Number two, currently, we need to streamline the certification process. There is discrimination that is going on between workers in different firms within the same industry. I believe that we need to move toward certification by industry, occupation and region. TAA also must keep up with current labor market conditions, not just the past ones. We need to cover service workers. Trade Adjustment Assistance is not a handout. Wage Insurance and the Health Coverage Tax Credit are two examples of how the program has moved from income transfers to targeted assistance. Wage Insurance does not replace Unemployment Insurance. Workers unanimously report that Wage Insurance does not force them to take low-paying jobs but, on the contrary, it helps them once they do. The experiment has been successful even though we have got very low take-up rates, for those who are in it, they will all tell you it has been successful, we need to expand the program.

As we have heard endlessly this morning, the Health Coverage Care Tax Credit is inadequate. The vast majority of people who do not have insurance cannot afford the 35 percent. The credit needs to be increased.

I will not make comments about the amounts and allocation of training funds, again, this issue has been raised.

But let me just conclude with one thing: Over the last decade or so, in this country we have moved Workforce Investment programs and put them on the shoulders of case management people in the One-Stop shops around the country, and then we have invest in them. These are the people who do assessments; these are the people who help people find training; these are the people who help workers find the jobs, that are out there; they are the ones that are supposed to be out there looking for the jobs and yet we are putting a lot of pressure on these people and not financing them. We have got to correct that problem in case management.

All surveys suggest that the American people are willing to move forward on trade liberalization if the government is willing to help those people who are adversely effected by that liberalization. As we all know, the trade liberalization has taken place. Now, it is time for the government to keep up its side of the bargain.

[The prepared statement of Mr. Rosen follows:]

Strengthening the Commitment to
American Workers, Firms, Farmers and Fishermen and Communities
Adversely Affected by International Trade and Investment

Testimony by
Howard Rosen
Executive Director, Trade Adjustment Assistance Coalition
Before the
House Ways and Means Committee
June 14, 2007

In 1962, when the United States was running a trade surplus, imports were barely noticeable in the economy, and manufacturing employment was increasing, Congress made a commitment to assist American workers, firms and communities hurt by international trade, by establishing the Trade Adjustment Assistance (TAA) program. This commitment is based on an appreciation that despite their large benefits, widely distributed throughout the economy, international trade and investment can also be associated with severe economic dislocations. President Kennedy best enunciated this commitment, when he wrote,

> Those injured by trade competition should not be required to bear the full brunt of the impact. Rather, the burden of economic adjustment should be borne in part by the federal government.... [T]here is an obligation to render assistance to those who suffer as a result of national trade policy.

Forty-five years later, as the trade deficit approaches 6 percent of GDP, imports as a percent of GDP are five times what they were in 1962 and manufacturing employment is falling, this commitment is more important than ever before.

The US economy is currently facing significant pressures due to an intensification of domestic and international competition. These pressures affect every aspect of the US economy – all industries, occupations and regions. No sector of the US economy is immune from the effects of globalization.

There is no "magic bullet" to deal with the pressures resulting from globalization. More worker training alone will not be sufficient to address the large adjustment burden placed on workers and their families. A comprehensive set of integrated efforts is necessary to help the economy adjust to the enormous pressures due to globalization. These efforts should not be hand-outs, but rather

targeted, yet flexible assistance aimed at raising productivity and enhancing US competitiveness.

The TAA for Workers, TAA for Firms and TAA for Farmers and Fishermen programs are part of this strategy. Although the impact of globalization on the US economy calls for strengthening these programs, sound economic policies are the most important prerequisite for responding to the pressures resulting from globalization. In that regard, TAA is a compliment to trade policy, not a substitute for it.

Why Targeted Assistance for Those Affected by Globalization?

There is an economic rationale for providing targeted assistance to workers who lose their jobs due to increased imports and outward shifts in international investment. In the past, workers employed in industries facing import-competition tended to be older, minorities and less educated than workers employed in non-trade-related industries. Although these differences have somewhat eroded over the years, workers who lose their jobs from import-competing industries continue to face greater difficulty in finding new jobs with the least amount of financial disruption. This is primarily due to the fact that it is highly unlikely that these workers will be able to return to their previous occupation or industry.

Assisting workers move from declining, inefficient industries to growing, highly efficient industries, although painful to workers and their families, can contribute to increasing national productivity and raising living standards. Efforts aimed at encouraging this adjustment are central to any effort at enhancing US competitiveness.

There is also an ethical rationale for assisting those workers adversely affected by increased competition due to liberalization of trade and investment. Recent studies suggest that the benefits related to trade liberalization on the US economy are large and widely distributed.[1] Although the costs associated with opening the economy to increased international competition are significant to those incurring them, relative to the benefits and the size of the economy, they tend to be smaller and more highly concentrated. TAA is one means of sharing some of the benefits of trade liberalization with those workers and communities paying a heavy price for that policy.

The high concentration of the adverse affects of trade and investment liberalization on workers, firms, farmers and fishermen and communities introduces political concerns. Making a commitment to address these distributional consequences may reduce opposition to adopting policies aimed at further liberalization of trade and investment. This rationale has taken on

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[1] Bradford, Scott C., Paul L.E. Grieco and Gary Clyde Hufbauer, "The Payoff to America from Global Integration," in C. Fred Bergsten, ed. *The United States and the World Economy,* Washington: Institute for International Economic, January 2005.

increased importance in recent years, as opposition to trade liberalization has grown.

TAA for Workers

The TAA for Workers program is the largest of the 3 existing programs. Under the program, workers can currently receive income support, training, and job search and relocation assistance. A limited wage insurance program and the Health Coverage Tax Credit (HCTC) were added in 2002.

In order to receive assistance, workers must show that they lost their jobs due to any one of following 3 eligibility criteria:

- An increase in imports
- Laid off from an upstream or downstream producer
- A shift in production to another country

Each of these criteria must have "contributed importantly" to a firm's decline in production and sales. Table 1 presents the distribution of certified petitions by reason. In contrast to estimates made during the Congressional debate over the 2002 reforms, the number of certified petitions related to shifts in production is much larger than the number of certified petitions for secondary workers.

Table 1
Distribution of Certified Petitions by Reason

	2002	2003	2004	2005	2006	2007
Number of all petitions submitted	2,796	3,585	3,215	2,594	2,488	1,086
Number of workers covered by all petitions submitted	336,833	304,126	210,153	155,712	168,871	93,903
Percent of petitions certified	59	53	56	60	58	63
Percent of certified petitions due to increased imports	n/a	47	55	55	53	46
Percent of certified petitions due to secondary workers	n/a	8	9	6	8	9
Percent of certified petitions due to shifts in production	n/a	30	36	39	39	44

Source: US Department of Labor

Although the TAA for Workers program has been the subject of some criticism over the years, the program has and continues to provide critical assistance to millions of workers and their families as they face probably the

most severe financial burden of their lifetime. More than 25 million workers have received assistance under the program since it was established in 1962.

The TAA for Workers program works; the problem is that it does not help all workers in need.

The TAA for Workers program has had a rocky history, including liberalization of eligibility criteria in 1974, cutbacks in assistance in 1981 and the establishment of a special program just for workers affected by trade with Canada and Mexico, i.e. the NAFTA-TAA for Workers program.[2] In 2002, Congress enacted the most expansive set of reforms in the TAA for Workers program since it was established. The reform, first introduced by Senators Baucus and Bingaman, included:

- The TAA for Workers program and the NAFTA-TAA for Workers program were merged. The eligibility criteria and the assistance package under both programs were harmonized and unified in one program.
- Eligibility criteria were expanded to include workers who lost their jobs from companies producing inputs for goods that face significant import competition, and workers who lost their jobs due to shifts in production to countries with bilateral free trade agreements with the United States and "where there has been or is likely to be an increase in imports...."[3]
- The HCTC was established. The credit provides a 65 percent advance-able, refundable tax credit to offset the cost of maintaining health insurance for up to two years.
- A limited wage insurance program, called the Alternative Trade Adjustment Assistance (ATAA) program, was established. Workers over 50 years old and earning less than $50,000 a year may be eligible to receive half the difference between their old and new wages, subject to a cap of $10,000, for up to two years. In order to qualify, workers must find a new full-time job and enroll in the ATAA program within 26 weeks of job loss. Workers enrolled in ATAA cannot receive other assistance under the TAA program.
- The total training appropriation cap was increased to $220 million.
- Income support payments were extended by 26 weeks to enable workers to be enrolled in training and receive income maintenance for up to two years.
- Workers undertaking remedial education can postpone their entry into the TAA for Workers program for up to 6 months.

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[2] See Rosen, Howard, "The More We Change the More It Stays the Same," C. Fred Bergsten in the World Economy, Institute for International Economics, 2006 for a more detailed discussion of the history of the TAA for Workers program.
[3] Public Law 107-210, Section 113(a).

- The amounts provided for job search assistance and relocation assistance were increased to keep up with inflation.

Table 2 provides a comparison of program participation data before and after the 2002 reforms. Despite a significant increase in imports and outward investment over this period, the number of petitions filed has not changed much since 2002. Recent studies by the Government Accountability Office (GAO) suggest that this may be due to a lack of public awareness of the program. On the other hand, there has been a significant increase in the share of eligible workers participating in the program. This may be a "mixed blessing," as it might be a reflection of the increasing difficulties workers face in finding new jobs.

Table 2
TAA for Workers
Performance Data
1997 to 2005

Annual Averages	1997-2001	2003-2005
Number of petitions filed	na	2,693
Percent certified	67 percent (a)	64 percent
Take-up rate	19 percent (b)	43 percent
Workers receiving income support	34,800	62,444
Workers in training	31,200	46,103
Workers in ATAA	na	3,864 (c)
Workers receiving HCTC	na	22,000 (c)

Source: US Department of Labor, (a) 1994-1998; (b) 1996-2000; (c) total 2003-2006

ATAA and HCTC are two examples of how assistance under the TAA for Workers program has shifted from traditional income transfers to more targeted, cost effective assistance. Despite the benefits associated with these new forms of assistance, enrollment in ATAA and the HCTC are disappointingly low. A 2006 GAO study of 5 large plant closings found that less than half of those TAA eligible workers who visited one-stop career centers were even informed of the HCTC during their visits to one-stop career centers. A little over half of eligible workers were aware of the ATAA program.

Wage Insurance (ATAA)

Workers who lose their jobs due to import competition and shifts in production pay a heavy price in terms or short-term and long-term earnings losses. According to the Dislocated Worker Survey (DWS) only two-thirds of unemployed workers find a new job within 1 to 3 years after layoff. (See Table 3.)

Only approximately one-fourth of workers experience no earnings loss or an improvement in earnings after re-employment. More than 40 percent of workers experience earnings losses. Wage Insurance is designed to provide some assistance to these workers.

Table 3
Re-employment and Earnings Experience of Dislocated Workers

	Manufacturing	Non-Manufacturing	High-Import Competing
Average pre-layoff wage	$396.88	$368.95	$402.97
Share reemployed	0.648	0.691	0.635
Average change in earnings	-0.121	-0.038	-0.132
Share with >30% earning loss	0.252	0.212	0.253
Share unemployed >26 weeks	0.221	0.127	0.24

Source: Displaced Worker Survey, Bureau of Labor Statistics, author's calculations based on data for 1979 to 1999. Based on Kletzer, Lori G. 2001. *Job Loss from Imports: Measuring the Costs*. Washington: Institute for International Economics.

Wage insurance is not a substitute for the traditional Unemployment Insurance (UI) program. The two programs serve two distinct populations, i.e. UI serves those workers seeking employment and wage insurance assists those workers who have found new jobs.

Current labor market conditions suggest that there is a high probability that workers will face the prospect of accepting a job that pays less than their previous job. Workers enrolled in ATAA unanimously report that financial pressures dictate that they return to work as soon as possible. ATAA helps cushion the potential losses workers face in taking anew job.

For example, the average weekly wage before layoff for workers displaced from high import-competing manufacturing industries was $402.97 between 1979 and 2001. Those workers who found new jobs faced, on average, a 13 percent loss in earnings. Under the current wage insurance program, these workers would be eligible to receive an additional $5,532 for the first 2 years after re-employment, an 8 percent increase in their new wage.

Despite its benefits, wage insurance is not a perfect solution to addressing the costs associated with unemployment. The 26-week deadline for eligibility and the inability to enroll in training while receiving wage insurance are two examples of shortcomings in the current program. One option to address these problems would be to remove the 26-week requirement and allow workers to enroll in training while receiving wage insurance. A more ambitious proposal would be to enable workers, with the approval of their one-stop career counselor, to design a

mix of income support, training and wage insurance over a 2-year period. The benefits of the program suggest that eligibility should also be expanded to those less than 50 years old.

Health Care Tax Credit

The Henry J. Kaiser Family Foundation reports that the average cost for health insurance for a family of 4 in 2006 was $11,500.[4] This equals 85 percent of the average amount of annual income support provided under the TAA for Workers program. For many workers, maintaining health insurance can be one of the largest, if not the largest expense during unemployment. As a result many workers forego health insurance. Unemployed workers and their families comprise one of the largest groups of uninsured people.

The HCTC provides workers a 65 percent advance-able, refundable tax credit to offset the cost of maintaining health insurance for up to two years. The Internal Revenue Service (IRS) reports that since 2003, approximately 22,000 workers have used the credit, or about 500 to 600 new enrollees per month.[5] This constitutes only a small percent of eligible workers. According to a study of workers from 5 plant-closings, the GAO found that between 3 and 12 percent of eligible workers used the HCTC.[6] Between 39 and 60 percent of workers claimed they were not aware of the credit.

Of those workers who did not use the credit, the GAO found that between 50 to 82 percent of workers were covered by other health insurance, i.e. from a spouse. Forty-seven to 79 percent of respondents claimed that they could not afford to maintain their health insurance, despite the credit. Fifteen to 33 percent of workers found the credit too complicated.

In contrast to the Department of Labor (DOL), the IRS has implemented an outreach effort to inform each worker directly about the HCTC. Despite this effort, it appears that additional efforts are necessary to ensure that all workers are aware of the credit. Congress should consider raising the amount of the credit in order to make maintaining health insurance more affordable to unemployed workers and their families. Technical problems relating to waiting periods and health insurance options for workers not covered by their previous employer's health insurance need to also be addressed.

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[4] The Henry J. Kaiser Family Foundation, Employee Health Benefits: 2006 Annual Survey. September 26, 2006.

[5] The number of people covered by the HCTC rises to 37,000 when family members of TAA eligible workers are included.

[6] US Government Accountability Office (GAO) 2006. *Trade Adjustment Assistance: Most Workers in Five Layoffs Received Services, but Better Outreach Needed on New Benefits*. GAO-06-43. Washington: Government Accountability Office.

The Next Round of Reforms

For the most part, the 2002 reforms "fought the last battle" and did not fully address more recent economic developments, such as the phenomenon of international outsourcing of services. In addition, there are several technical problems that were discovered while implementing the 2002 reforms that need to be addressed. The following is a list of the major issues that in my view still need to be addressed:[7]

- *Service Workers.* The service sector is increasingly under pressure from outward shifts in investment and international outsourcing.[8] Based on its current interpretation of the statute, DOL denies assistance to workers who lose their jobs from the service sector. DOL argues that workers in the service sector do not produce items that are "similar or like an imported *good* (emphasis added)." Although the law does not specifically restrict TAA eligibility to workers employed in manufacturing industries per se, over the years DOL's interpretation of the law has de facto resulted in such a restriction. A recent GAO study finds that denying assistance to service sector workers currently account for almost half of petition denials.[9]

  In response to several recent appeals brought before the Court of International Trade, DOL partially reversed its position and announced that software workers who met the general eligibility criteria could receive assistance under TAA.

  The statue governing the TAA for Workers program needs to be updated to cover workers who lose their jobs from service industries. A simple change in legislative language alone will not be sufficient to achieve this goal, since data do not currently exist to measure the importation of services. A new methodology for determining trade-impact may need to be developed to expand eligibility to cover workers who lose their jobs from service industries.

- *Industry Certification.* Petitions for TAA eligibility are currently filed according to firm-related layoffs, meaning that multiple petitions can be submitted by different groups of workers employed in the same firm as well as in the same industry. In an effort to streamline the petition process

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[7] See Kletzer, Lori G., and Howard Rosen. 2005. Easing the Adjustment Burden on US Workers. In The United States and the World Economy: Foreign Economic Policy for the Next Decade, ed. C. Fred Bergsten and the Institute for International Economics. Washington: Institute for International Economics for additional recommendations.

[8] Alan Blinder recently estimated that as many as 42 to 56 million jobs, or 30 to 40 percent of total US employment, could be under pressure from possible off shoring. This estimate includes 14 million manufacturing workers and 28 to 42 non-manufacturing workers, primarily workers employed in the service sector. See Blinder, Alan, "How Many U.S. Jobs Might Be Offshorable?" Draft March 23, 2007.

[9] GAO, 2007. *Trade Adjustment Assistance: Changes to Funding Allocation and Eligibility Requirements Could Enhance States' Ability to Provide Benefits and Services.* GAO-07-701. Washington: Government Accountability Office.

and remove arbitrary discrimination between workers from the same firm and industry receiving assistance, industry-wide certification should be added to the existing firm-related layoff certification.

For example, if the apparel industry was found to experience a decline in employment related to an increase in imports or outward shift in investment, then any worker laid off from the industry, regardless of cause, would be immediately eligible for TAA without needing to go through the bureaucratic petition process.

In discussing this idea, Senator Baucus recently commented that all workers laid off from a specific industry should be covered by a single certification, the same way that all producers are covered by a single granting of import relief by the International Trade Commission.[10]

Given data limitations concerning the service sector, industry certification would facilitate eligibility determinations for workers displaced from service industries.

- *Training Appropriations.* Allocating training funds to states to meet the needs of workers has been a challenge to DOL under successive administrations. GAO recently reported that on average, states spent or obligated 62 percent of their training allocations in 2006, with a large range among the states.[11] The GAO found that 13 states spent less than 1 percent of their training allocation while 9 states spent more than 95 percent of their training funds in 2006.

  Currently, DOL allocates 75 percent of TAA training funds according to a formula based on states' spending over the previous 2½ years. Thus states that experience large lay-offs in a subsequent year may receive an inadequate amount of training funds to meet the needs are all TAA eligible workers. Conversely, states that experience large lay-offs in previous years may receive more training funds than needed in a subsequent year. GAO also reported that DOL allocates a significant amount of funds at the end of the fiscal year, making it difficult for states to utilize those funds. Since existing legislation does not address this issue, DOL has complete discretion in setting the method by which training funds are allocated to the states.

  The allocation of training funds desperately needs improvement. Currently, DOL makes 2 disbursements – one at the beginning of the year and another at the end of the year. One recommendation would be to increase the number of disbursements, spread out more evenly throughout the year, based on shorter look-back periods, i.e. 6 months.

  Currently the law sets a global cap $220 million for training expenditures under the TAA for Workers program. The gap is not adjusted for inflation, changes in the economy or major plant closings. At a minimum, the

[10] TAA Coalition meeting, April 13, 2007.
[11] GAO (2007)

training cap needs to be raised on a regular basis. Ways to better link the training appropriation to the needs of TAA eligible workers should also be explored.

- *Health Coverage Tax Credit (HCTC).* GAO's survey of workers involved in 5 layoffs found that almost 70 percent of those workers without alternative health insurance reported that they could not afford to maintain their previous health insurance, despite the HCTC.[12] In a subsequent report, GAO estimated that even with the 65 percent tax credit, the cost of maintaining health insurance in 4 sample states was equal to approximately 25 percent of a worker's average monthly UI payment. Although the HCTC appears to have been an important addition to the package of assistance provided workers, the amount of the credit needs to be increased in order to enable more workers to use the credit.

  Currently, workers must receive income maintenance (or participate in ATAA), which means that they must be enrolled in training, in order to be eligible to receive the HCTC. This restriction severely limits the number of displaced workers who can receive the credit. GAO found that this requirement has forced workers to both enroll in training and receive income maintenance payments or to apply for a training waiver.[13] Some argue that requiring a worker to undertake training promotes "real adjustment," while others contend that it results in workers getting expensive assistance that they may not need or want. One proposal would be to provide the HCTC to all TAA-certified workers for up to two years or until the worker finds a new job, regardless of enrollment in training.

  Other technical issues concerning the HCTC, such as the waiting period before enrollment, require immediate attention.

- *Wage Insurance (ATAA).* The current program is restricted to workers over the age of 50. Although there is some evidence that older workers may have a harder time finding a new job, ATAA can potentially benefit all workers. It is a cost-effective means of cushioning the costs associated with taking a new job. The age requirement for ATAA should be lowered so that all workers are eligible.

- *Self-employed.* Under the current program, workers are discouraged from pursuing self-employment. One option would be to continue providing income support and training to workers starting their own businesses.

- *Outreach.* GAO has consistently found that many workers are unaware of the assistance provided by the TAA for which they are eligible.[14] This may help explain why program take-up rates are so low. DOL's outreach

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[12] GAO (2006)
[13] GAO (2006). Some states have issued training waivers in order for more workers to receive the HCTC.
[14] GAO (2006)

efforts seem inadequate. More resources need to be devoted to informing workers about TAA and other forms of assistance for dislocated workers.

- *Data Reporting.* The Department of Labor under successive administrations has made it difficult to obtain data related to TAA, despite the fact that these data, which were widely available in prior years, do not appear to include any sensitive information. Participation data are crucial to determining how well TAA is working and which aspects of the program need to be improved, eliminated, or expanded. Public access to TAA program data is therefore critical to monitoring and evaluating the program.

The TAA for Workers program is currently financed through general revenues, without any dedicated revenue offset.[15] One proposal would be to dedicate custom duties to finance a further expansion of the program. Custom duties equaled approximately $20 billion in FY 2003, and they are expected to rise to $25 billion over the next few years.[16] Since funds collected from custom duties are considered general revenue, diverting them to finance these proposals would contribute to the federal budget deficit. A more limited proposal would be to dedicate only the *increase* in custom duties over the next few years to offset the costs associated with expanding adjustment programs. This would also exacerbate the fiscal deficit and might not be sufficient to cover the total costs of the more ambitious proposals outlined above. Nonetheless, it might be a good way to jump-start the reform process.[17]

TAA for Firms

Congress also established the TAA for Firms program in 1962 to help American firm respond to the pressures resulting from increased import-competition and *avoid* possible cutbacks and layoffs. Initially the program provided technical assistance, loans and loan guarantees. Congress eliminated the loans and loan guarantees in 1986. Technical assistance is currently provided to firms by 11 Trade Adjustment Assistance Centers (TAAC) located around the country. Eligibility criteria mirror, although are not exactly the same as those for the TAA for Worker program.

The TAA for Firms program has historically been quite small. Between 2001 and 2006, the program assisted approximately 150 firms a year covered some 16,000 workers. Average spending over the last 9 years has been $11 million per year.

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[15] Section 245 of the Trade Act of 1974 called on the Department of Treasury to establish a trust fund, financed by all custom duties, from which to finance TAA, but this trust fund has not been established.

[16] Multilateral agreements are likely to reduce tariff rates over the coming years. On the other hand, increases in the volume of imports could increase the amount of tariff revenues collected.

[17] It should be noted that there is long-standing opposition among economists to dedicated funding schemes.

A recent evaluation by the Urban Institute found that firms that participated in the TAA for Firms program had a higher survival rate (84 percent) than eligible firms that did not participate in the program (70 percent), 5 years after certification. According to Gary Kuhar, director of the Northwest Trade Adjustment Assistance Center (NWTAAC), since 1984, there has been an 80 percent survival rate for firms assisted in his region. This rate may be conservative, since it does not include firms that have been sold to other companies or operate under a new name. According to their internal cost-benefit analysis, this survival rate translates into a returned of $234 for every federal dollar managed by the NWTAAC.

Congress should explore ways to expand the program, while maintaining its effectiveness. Existing eligibility criteria should be liberalized to meet current economic conditions. In addition, program funding and the capacity of the TAACs will need to be expanded if TAA eligibility criteria were expanded to include the service sector. Congress might also explore ways to integrate the TAA for Workers and TAA for Firms programs by automatically making all workers employed by firms participating in the TAA for Firms program eligible for the TAA for Workers program, and visa versa.

TAA for Farmers and Fishermen

Congress established the TAA for Farmers and Fishermen program as part of the 2002 reforms, based on legislation introduced by Senators Conrad and Grassley in the 106th Congress. Farmers and fishermen whose crops face a precipitous drop in their international price can receive minimal cash payments, if they participate in technical assistance programs. Financial assistance is calculated as half of the difference between the most recent year's crop price and 80 percent of that price over the previous 5 years, subject to a limit of $10,000 per year.

Between 2004 and 2006 nine crops were eligible for assistance – avocados, catfish, concord grapes, fresh potatoes, lychees, olives, salmon, shrimp and wild blueberries. The program's experience over this period suggests that cash payments have been very small, making the program somewhat unattractive to farmers and fishermen. On the other hand, there is evidence that the technical assistance has been useful in helping farmers and fishermen diversify their crops and/or improve the yield and sales of their existing crops. Enrollment in technical assistance seminars has been encouraging, although it is too early to measure their effectiveness.

An evaluation by the Western Center for Risk Management Education found that 40 percent of participants undertook changes to adjust to import competition as a result of the program.[18]

The program is handicapped by two related problems. First, eligibility criteria are too restrictive, thereby denying assistance to farmers and fishermen

[18] Annual spending on the CAP is estimated to be $45 billion.

in need of assistance. Second, due to the formula used, the amount of income assistance provided is very small, thereby making the program, and any subsequent adjustment to import competition, financially unattractive.

Annual spending on the TAA for Farmers and Fishermen program has been uneven, averaging $10 million annually over the last 5 years. Spending reached a peak of $21.3 million in FY 2005, before falling to $4.7 million in FY 2006 and less that $1 million in FY 2007.[19]

The European Union devotes 10 percent of the amount it spends on the Common Agriculture Program (CAP) on positive adjustment in the farming and fishing. FY 2006 spending on the Farmer and Fishermen program equaled a less than one-tenth of 1 percent of total US farm income support.[20] Expanding the TAA for Farmers and Fishermen program, in a responsible and effective way, could contribute to reducing farm income support, which places pressure on the federal budget and continues to stand in the way of multilateral trade negotiations.

TAA for Communities

The impact of globalization on the US economy is not limited to workers, farmers and fishermen. All of these people are located within communities, which also experience the consequences of massive lay offs and earnings losses. Workers who lose their jobs cannot afford to purchase non-essential goods or eat in restaurants, thereby causing the effects of a plant closing to ripple across a community. Plant closings also result in eroding a community's tax base, making it more difficult for the community to provide important functions and attract new investment.

In addressing any job loss, the primary objective should be to get people back to work, as soon as possible, with the least amount of financial loss. The TAA for Workers program only takes a small step toward helping workers meet that objective. The 2002 reforms began to transform the TAA for Workers program from one focusing almost exclusively on income support and training to one that aims toward re-employment. The most important ingredient of any re-employment program is the availability of jobs, preferably high paying jobs.

Several members of Congress have recently called for a TAA for Communities program.[21] This proposal is based in part on a growing awareness that the effectiveness of any training program is limited by the availability of jobs that utilize the skills acquired in that training. Under these circumstances, job creation requires shifting the composition of existing investment and attracting new investment.

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[19] Foreign Agriculture Service, US Department of Agriculture.
[20] Total US farm income support amounted to $16 billion in FY 2006.
[21] Senator Bingaman first introduced this proposal in 2001.

The Economic Adjustment program at the Department of Defense (DOD) has been successful in helping communities in the aftermath of a military base closing. Under the program, the Department of Defense provides intensive technical assistance and funds to help communities prepare strategic plans for economic development. A limited experiment of, borrowing from DOD's base closing program was tried in New Mexico in 1998.[22]

One proposal would be to temporarily assign a technical advisor to those trade-impacted communities willing to undertake certain activities. The advisor could help the community leaders design a strategic plan for economic development, which could be an important contributor to identifying, applying for and eventually receiving federal assistance. This program need not be expensive. At a minimum, the program can serve to help communities identify existing public and private assistance and coordinate that assistance.

International Comparisons

As mentioned above, programs aimed at enhancing economic adjustment to the current realities associated with globalization should be part of any nation's competitiveness strategy.

Currently, our major trading competitors are devoting much more resources to labor market adjustment programs than the United States (see Table 3). Relative to six other major industrialized countries, the United States spends the least on active labor-market adjustment programs, even after taking into account each country's unemployment rate. France and Germany each devote about five times more to their active labor-market programs than does the United States.

Much is currently being made of the Danish "Flexicurity" system. There is no magic to this program. In addition to differences in hiring and firing policies, the OECD estimates that Denmark spends 8 times more in public funds, as a share of GDP, to labor market programs than the United States.[23] The Danes spend 10 times more public funds, as a share of GDP, to training and 5 times more, as a share of GDP, to income support than the United States.

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[22] Rosen, Howard. 2001. A New Approach to Assist Trade-Affected Workers and Their Communities: The Roswell Experiment. *Journal of Law and Border Studies* 1:1.

[23] Danish labor laws are more protective of workers than US labor laws.

Table 3
Spending on Active Labor-Market Programs

Country	As a percentage of GDP	Ratio of spending as a percentage of GDP to the unemployment rate	As a percentage of total spending on all labor-market programs
Canada	0.41	0.06	36.4
France	1.32	0.14	44.4
Germany	1.21	0.16	38.6
Japan	0.28	0.06	34.2
United Kingdom	0.37	0.07	40.0
United States	0.15	0.03	32.9

Source: OECD, *Employment Outlook 2003, data for 2000-2001.*

Immediate Steps

The 5-year authorization of the entire compliment of TAA programs – TAA for Workers, TAA for Firms and TAA for Farmers and Fishermen – is scheduled to expire at the end of September 2007. Based on past experience, any lapse or temporary extension of the program's authorization could cause serious disruption to those workers, firms, farmers and fishermen participating in the program. Without the ability to disperse federal funds, the pressure to maintain assistance could fall upon the states. Most states do not have the resources or legal ability to continue the assistance under the various programs.

In previous years income support was terminated, causing considerable financial distress on workers and their families. Funding for training programs was also cut off, forcing workers to forego training. It is crucial that Congress move to re-authorization the compliment of TAA programs, for at least another 5 years, without any lapse.

Conclusion

All public opinion surveys find that Americans are willing to pursue trade liberalization IF the government assists those workers, firms and communities, adversely affected by that liberalization. Despite significant changes in the US economy over the last 45 years, including an increase in import penetration and a decline in manufacturing employment, efforts to assist workers adversely affected by increases in imports and shifts in production have remained modest at best. Efforts to reform and expand the program in 2002 were extremely useful in breathing new life into that commitment. Implementation of those reforms has been uneven at best. More effort must be undertaken to insure that all workers, firms, farmers and fishermen receive the assistance they so desperately need.

Several pieces of legislation have already been introduced and several others are likely to be introduced to continue the efforts begun in 2002 to reform and expand TAA. These proposals include extending eligibility criteria to cover

workers who lose their jobs from service industries, establishing a process for certifying entire industries, increasing the budget cap on training expenditures, and expanding the HCTC and wage insurance programs. Congress should seriously consider enacting these proposals.

It would seem that the increased importance of international trade to the US economy and the growing concern over economic dislocations would make assistance to workers, firms and communities facing these pressures more of a pressing issue in 2006 than it was in 1962. Yet despite public support for this kind of assistance and rhetoric on the need to increase worker training, expanding labor market adjustment programs remains a low priority in the United States. This will need to change if the United States wants to pursue a competitiveness strategy that results in increasing productivity and raising living standards.

Mr. LEVIN. Thank you very much. Mr. Stark.

Mr. STARK. Thank you, Mr. Chairman, and I want to thank the witnesses. Karen, I think you got to the point, and if I can summarize your concerns with the current Health Coverage Tax Credit. One, it is extremely expensive to administer in its current form. Two, even when workers can get it, there is no assurance that they can buy insurance in a timely manner that covers—that provides even reasonable benefits. I would use as a comparison and say Medicare benefits is a minimum. There would be a problem, I suspect, if we attempted to require each state to have insurance rules that would provide a certain type of insurance and then we would get all jammed up with various state insurance commissioners, and someone has suggested using a system like the Federal Employees Health Benefit Plan, I am concerned that that could get bureaucratic and complicated as trying to control private insurance. How do you think that making workers eligible for Medicare and charging them the full actuarial cost of the Medicare benefit, which would be less than the premiums that you suggest in your testimony? It would cost the government nothing. It would have precious little administrative costs. Would certainly be better than either no insurance at all or insurance with huge pre-existing condition deductions and that sort of thing. Would that fill the bill for you?

Ms. POLLITZ. Well, let's see, the Medicare Program would certainly be simpler because it is a single program as opposed to having to go out and shop through the vast marketplace. I would hope you would include some sort of supplement wraparound because the Medicare Program does have very high cost-sharing, much higher than I think most people are used to coming out of employer-sponsored coverage and much higher than I think they could afford to pay if they were to get sick and they were on these other limited income benefits. So, I think that would be an important addition to your idea. It probably would be easier for the IRS to administer because they would only have to establish a payment arrangement with one program instead of thousands of programs, like they do today. So, I think it could certainly offer those advantages.

Mr. STARK. You are right, there are co-pays and deductibles but that for the very low-income that might be covered under the various state Medicaid policies, which for those—varying from state to state but for people of low-income, they would get that coverage so that it would be less onerous for those of low income.

Ms. POLLITZ. They would, Mr. Chairman, if you made them eligible for Medicaid. Most of these people would not be eligible for Medicaid.

Mr. STARK. They would have too high an income and too high assets?

Ms. POLLITZ. They probably would not fit a category. You would have to be in a population category of parents or a child or disabled or elderly and have the income that associates with that category to be eligible for Medicaid.

Mr. STARK. But I guess then what you are suggesting is it would be good to have a universal Federal nationwide plan.

Ms. POLLITZ. Sure.

Mr. STARK. That was available or set minimum benefits and regulations so that people knew that there would be a plan available to them.

Ms. POLLITZ. I think that is very important, yes.

Mr. STARK. Howard, I had trouble wondering whether you had been sitting too long and somebody had put a tack on your chair but what was it that led you almost to an outbreak of laughter and mirth during the testimony of the gentle lady from Hudson Institute, would you care to enlighten me as to—was it the idea that we do not have any unemployment in this country and do not have any need to assist workers who may be displaced by trade?

Mr. ROSEN. Well, let me just give two examples, it is correct that 97 percent of workers in this country are taxed for Unemployment Insurance but the share of unemployed that receive Unemployment Insurance is one third. That means it is basically a crapshoot when you lose your job if you are going to get Unemployment Insurance or not. We give it for 26 weeks on average. In contrast to what we heard on the previous panel, I actually could not believe the numbers that were being suggested, the average payment across the country is $260 a week. That is below the minimum wage that Congress has just passed, so I do not know what a minimum wage is if we are not willing to give people Unemployment Insurance at that minimum wage. So, that is one I will just leave on the side.

The second is I am glad that we raised the issue of 55 million job losses and 59 million new job creations. When you say it that way, there is a suggestion that just because the net is positive net means that everything is wonderful. It does not mean that those 55 million people who lost their jobs took those 59 million new jobs. We know from survey data, that about a third of the dislocated workers will not find a job within two to 3 years. Now, if you want to say that they are lazy and they are not looking, that is fine, but I do not think that is the case. We also know that another 40 percent of those dislocated workers will take an earnings loss when they take their new job. That means that when you lose your job, I am talking about a dislocated worker, seriously dislocated worker, there is a 70 percent chance that your life will not be whole again. Only 25 percent of people will be able to get back to where they were before they lost their jobs.

If I could just say one more thing and that is based on these data. One in 10 people in this room will change jobs this year. Now, I hope it is not the people on this dais, which means that the ratio is even higher for the rest.

Mr. STARK. Maybe next year, not this year.

Mr. ROSEN. There is a significant cost. Now, many of those jobs changes may be voluntary, people may move voluntarily from one job to another. But for some people it will not be voluntary and there is an extreme cost to that job change and that is what we are here talking about today.

Mr. STARK. Thank you. Thank you, Mr. Chairman.

Mr. LEVIN. Rather than giving you a chance to answer, Ms. Furchtgott-Roth, let me call Mr. Herger who may want to provide you that chance, I am not sure. One way or another you will have that opportunity. Go ahead, Mr. Herger.

Mr. HERGER. Thank you, Mr. Chairman. Indeed, that is my intent. Ms. Furchtgott-Roth, in your testimony you stated that, "Job creation in the United States is strong and unemployment is low such that economic circumstances do not warrant an expansion of the TAA program."

Ms. FURCHTGOTT-ROTH. That is correct, yes.

Mr. HERGER. I take it that you believe that the existing TAA program is adequate given the strong state of the economy today. Could you talk further about your ideas for improving the administration of the existing program and making it more efficient and outcomes-based?

Ms. FURCHTGOTT-ROTH. Well, the existing program is, as I said before, is adequate but it does not mean that it could not be improved by making it more efficient. In other words, one could take the existing funding for the program and make it more efficient and also combine some of the programs with other programs in the Department of Labor. There are about over a dozen programs to help unemployed workers and what would be useful would be to have more guidance, more individual guidance for TAA participants, more use of vouchers to enable them to get training at community colleges, and more help with the administration paperwork of filling out the program. I think by doing that, dislocated workers could make better use of the program without having it expanded to services or to other industries. We have a tremendous amount of growth in our economy. The dislocated workers that Howard is talking about are a very small proportion of the unemployed. Workers who are unemployed, who pay their Unemployment Insurance benefits—pay their Unemployment Insurance, whose employees pay Unemployment Insurance on them do get Unemployment Insurance when they leave and that is the vast majority of these workers who lose their jobs from another job. As you come into the labor market as a new entrant, you are considered unemployed but you do not get Unemployment Insurance or unemployment benefits. So part of the workers who do not get unemployment benefits, who Howard is talking about, is those kinds of workers. If you have been in your job for a certain amount of time, generally a year, depending on the state, then when you leave, you get unemployment benefits. Dislocated workers are defined as a very small group of workers who lose their jobs through changes in industrial change and structure. But we have about 24 million workers who voluntarily leave their jobs and get other jobs and then those are unemployed for a small period of time, what we call "frictional costs" of moving jobs. They leave their jobs because they can find better ones and they can move up in the labor force.

Mr. HERGER. Well, I thank you for your comment. Again, the whole purpose of this is that if there is anyone out there, and we do have people out there who need jobs and cannot find them and who have been displaced, we want the most efficient program we can and the least duplicative programs that we can to make it work. If we look around the world today, the industrial world is

very envious of the job creation we have here in the United States, the relatively low unemployment we have here in the United States but that is not to say that we cannot nor that we should not be making it better. So I appreciate your comments and your testimony, and the testimony of each of you. Mr. McDermott?

Mr. MCDERMOTT. Thank you, Mr. Chairman. Mr. Rosen, you raised an issue, and I think that Mr. Courtney also raised an issue in a way and that is this whole issue about there are millions of jobs created every year and millions that are lost every year. My question is if that is true, why is there so much anxiety, what is going on that a high-tech work or a computer person or whatever in Seattle, why should not they say, "Well, gee, there are a lot of high-tech companies around here, I will pick myself up a job here in the next 2 weeks" and go on down the road? Is that what the circumstance is, as is suggested by Ms. Roth, or is this—are there some problems with shifting from one company to another or is it that they want to take the job offshore?

Mr. ROSEN. First of all, let me make it very clear that I also agree that the labor market is very strong right now, and I also know that there are shortages in certain sectors of the economy, in certain occupations, in certain regions of the economy, but what concerns me is when people use that information to then ignore the other things going on in the economy. Let me just use an example, Mr. Levin, if you do not mind. I doubt that the Adelphi workers that are losing their jobs in Michigan are prepared immediately to take the nursing jobs that Michigan needs. It does not happen. There is a transition that has to take place. If they do not make that transition, it is very costly to them. The question is the government willing to help make that transition? Sometimes it can take, as we heard in the previous panel, it can take a year or two to do that. I agree that—all I am arguing is that just because the economy is doing well does not mean that we can ignore the costs that are being borne by a few people. It was just said that 20 million of the 55 are transitional on unemployment, well, what are the rest of them, what are the other 30 million, if these are long-term unemployed? I think the numbers are not that large but if it is even one or two.

Now, let me just come back to the efficiency of the program for a second. These programs——

Mr. MCDERMOTT. Could I just stop you there a second?

Mr. ROSEN. Yes.

Mr. MCDERMOTT. We have split the economy into those people who lose a job and those who lose a job because of trade, is that an efficient division to make?

Mr. ROSEN. Yes. First of all, let me give you a substantive response. Again, it has been very frustrating listening to this discussion this morning. I began working in this field about 25 years ago and 25 years ago we were able to document that trade-related dislocations, those workers, were different than other people losing jobs in the economy. They were older, they were minorities, they were less educated. That is when trade-related dislocations were focused on the "Big Three"—textiles, steel, and autos. But that is not the case anymore. When you look at the list of petitions going to the Department of Labor for TAA, very few of them are in autos,

steel and textiles. Much of them are in electronics. The differences between those workers and the overall composition of workforce is now pretty much the same. But, and this is documented in my written statement, the adjustment that these trade-related people go through is still harder. They tend to take harder hits. They tend to take more earnings losses. It tends to take longer for them to find re-employment. Why? Because they are not just changing their jobs, they are changing their occupation. They are not going back to their previous occupation, so their adjustment is harder. That is a substantive reason for why we should be doing something special for trade-related workers.

Now, as has been mentioned by my colleague, there is an ethical reason, I know people do not like to talk about ethics up here, but we are told that the benefits of trade are gigantic in this economy. Well, they are widely distributed and the costs are very highly concentrated. It would seem to me that there is an ethical obligation to take some of those benefits and redistribute it to those people who are paying the price for those benefits.

The third, as you discussed this morning, is a political motivation for these things. If we are going to move forward—I told you that the public opinion surveys all say that the American people are only in favor of trade liberalization if the government is willing to help those people who are hurt. That is what your constituents are saying, so there are political motives.

Mr. MCDERMOTT. Could I just stop you because my time is about to run out.

Mr. ROSEN. I am sorry.

Mr. MCDERMOTT. There is an editorial in The Wall Street Journal, I was just sitting up here reading my clips. On the 14th of June it says, "The Case for Taxing Globalization's Big Winners," and it really is making the point that you are saying is that there is some reason, since there have been large benefits to trade, there ought to be some spreading out of the benefits from just the top companies that have gone overseas and are now benefiting from having money overseas.

Mr. ROSEN. I am sorry I have said too much, but I have one sentence, which is that the financial markets are getting a lot of the benefits from international trade and globalization, and we do not tax them at all for those things.

Mr. MCDERMOTT. Thank you. I yield back the balance of my time. We will try and redress some of that as we go along.

Mr. LEVIN. Thank you. Mr. Weller?

Mr. WELLER. Thank you, Mr. Chairman. It is always interesting when we often talk about trade that the focus is always on the negative. I represent a district that is heavily, heavily dependent on trade and when we have an opportunity to expand exports, we have seen growth. In my district, about 40 percent of the agricultural products, the corn and soybeans we grow, those are exports. My biggest manufacturer, and I represent both manufacturing as well as an agricultural district, over half of the production in the Joliet Caterpillar plant in my district, which employs local machinists, is exported and that is consistent with other Caterpillar plants. Again, Caterpillar is my biggest manufacturer so that is why I am using them as example. But they also have added

3,000 jobs in Illinois because of expanded trade, good paying manufacturing jobs. Of course, we are in a global economy, we only represent 4 percent of the globe's population, 96 percent of the world is outside of the United States, so that is the marketplace, and we want to be competitive.

I find in talking with my farmers, I find talking with my other employers, particularly manufacturing, that their biggest challenges in being competitive include energy costs, we have the highest energy costs in the world, that we do tax those who export to the global marketplace. Some label those who benefit from globalization. But we have the second highest tax burden on manufacturing in the world, so we punish you if you invest in the United States in creating jobs in manufacturing, as well as other business ventures because we tax you extremely highly. Economists say that about 3 percent of job losses are a direct result of trade, which means 97 percent of job losses come from other factors, energy costs and tax policy obviously contribute to that.

So, as we discuss Trade Adjustment Assistance, the thought of how we can change these programs to recognize economic realities in America, the thought of making it more of a "Globalization Adjustment Assistance" may be a better approach, Mr. Chairman. It something that I would certainly welcome working with you on.

Ms. Furchtgott-Roth, let me direct my question to you because my time is somewhat limited. You have noted, as have others, that Trade Adjustment Assistance benefits are a supplement to other taxpayer-provided benefits. We provide about $30 billion in annual unemployment benefits, about $15 billion in additional education and training benefits in addition to TAA for someone who qualifies and participates in TAA. In your testimony you state, let me quote you, that, "While there is no need to expand the TAA program," you suggest, "Americans do not know whether expanding Wage Insurance will solve problems of economic insecurity from globalization but it might be worth trying in a few states to see if it works rather than imposing a Federal mandate." Of course, we have an experiment right now in TAA, but can you elaborate on that view?

Ms. FURCHTGOTT-ROTH. Yes, yes, there are pros and cons of Wage Insurance. Some people say the important thing is to get unemployed workers back in the job market as soon as possible to prevent them losing skills and to keep up their human capital and to make easier for them to get another high-paying job afterward. So if that is the view, than the Wage Insurance idea that will encourage them to get back in the workforce soon would be very beneficial. Then other people would say that what unemployed workers really need to be encouraged to move and so states, such as Michigan, that have high unemployment workers there need to be encouraged to move to states like Alabama where you can get a job with a six figure salary without even a college degree because the auto plants are hiring there. So some people say Wage Insurance would prevent the movement from one part of the country to another and that what we want to do is encourage movement. So, those are basically the two views. But we have a very large country, we have many different kinds of segments of the population

and the advantage of having 50 states is that we can try out these things and if they work, then other states will copy them.

Mr. WELLER. So, you support the idea of giving states the opportunity to experiment, is that what you are suggesting?

Ms. FURCHTGOTT-ROTH. Absolutely, I would support the idea of getting states to experiment on almost everything, yes.

Mr. WELLER. Well, and I would mention to you, I would ask you to take a look at H.R. 1513 legislation that I have introduced specifically to that, which would encourage states to seek waivers to develop Wage Insurance programs.

Ms. FURCHTGOTT-ROTH. Right, I think that would be very positive.

Mr. WELLER. We have 50 laboratories in America which could experiment and they may have an idea which at some point we could take nationwide.

Ms. FURCHTGOTT-ROTH. Exactly.

Mr. WELLER. But I do want to ask you to take a look at that and of course your other panelists as well and my colleagues, to look at that legislation.

Ma'am, you discussed earlier with Mr. Herger your thoughts about modernizing the TAA program for the 21st century economic realities we have today, can you elaborate further on your ideas?

Ms. FURCHTGOTT-ROTH. Yes, yes, well, there are a lot of high return occupations that people could go into through community colleges but community colleges are not providing that kind of training. Nursing training for example is one. Because of our demographics, we need a lot more nurses and nurses is a high-paying occupation. But community colleges are regularly turning away nursing candidates. There are more people who want to be trained as nurses than can be trained right now.

Mr. WELLER. Our first community college in America is in my district and when I speak with them, they have an outstanding program, the challenge they have is because there is such a demand for nurses today that they are unable to compete to afford to hire the instructors and that is why they are not able to expand their programs.

Ms. FURCHTGOTT-ROTH. That is right. One reason for that is that they have to charge the same tuition to everybody. They are not allowed to charge premiums for nursing students so they encourage to have people learn languages because that way they gain a bit more on languages and they can put that additional tuition in nursing. If they were allowed to charge different amounts, and perhaps the Federal Government would subsidize for example their training of nurses, they could afford to hire more instructors, and we could get these workers who are on TAA, these dislocated workers, into these nursing training programs and perhaps some other training programs where we know have high returns, such as maybe auto mechanics or some kind of software. It differs depending on what part of the country you are in so I cannot stand here and tell you which ones they are for each part of the country. If we could give more guidance because we know what kind of high returns trainees need and encourage community colleges to do that and see if we can get over some of these barriers, then we might

be able to have more success with shortening periods of unemployment.

Mr. WELLER. Thank you. I assume my time has expired. You have been very generous, Mr. Chairman. Thank you.

Mr. LEVIN. Mr. Pascrell?

Mr. PASCRELL. Mr. Chairman, this is another question of whose ox is gored. My district, and in New Jersey overall, we have lost a tremendous amount of manufacturing jobs over the last 25 to 30 years, and we lost those jobs either to other states and then those states lost them to other countries. When we were losing those manufacturing jobs, it was very difficult for people to convince those from rural areas, from suburban areas around the country to even consider it. So, whether you are talking about the loss of textile jobs or you are talking about the loss of machine part jobs, et cetera, et cetera, and now you are talking about the loss of service jobs. Now, all of a sudden, and the opening witness today, a good friend of mine, Congressman Smith, who is certainly a proponent of free trade, has been, and we disagree on that, I respect his intellect on the matter and respect his integrity, but this is a question of whose ox is gored. We have lost a lot of jobs and regardless of how you lose those jobs, in what areas you lose those jobs, I think there is some responsibility on the part of state and Federal Government to fashion programs, whether they are directed to manufacturing folks or whether they are directed to people who lose their jobs in the service area, and if we can expand the programs to do that. We need to put a face on these people, not just to deal with them as numbers.

It is disheartening on the question of trade we bring up that we have this great economy out there, when we know quite well what wages have done over the last 6 years, they have been basically stagnant, perhaps having increased in terms of productivity by.05. Wages have been stagnant. More writers than not have written about how the affluence of America has not been spread over, they are not suggesting any government handout, they are suggesting simply that the opportunity to be fair so that everybody gets a shot.

We know in terms of the job market, Ms. Roth, that you spoke about today, we know that in this time in the last 6 years that less than 50,000 jobs per month have been created. We know that 135,000 jobs are needed per month to be created in order to take care of those that are coming into the labor stream. We know that the fact is that every month, 8 years, from 1992 to 2000, that 230,000 jobs were created per month. I wanted to respond to that rosy picture because we do not know, in many cities in this country, the unemployment rate is close to 13 and 14 percent. We need to take a look at that to see if we can help without interfering, without being overbearing.

I had a question for you, Ms. Pollitz, the question is in your testimony on page two, when you talked about rating limits and discussing health coverage, you talked about the gentleman in North Carolina, 55 years old, he has cancer, he can pay as much as $900 a month for his 35 percent share of the premium for the HCTC insurance——

Ms. POLLITZ. That is correct.

Mr. PASCRELL [continuing]. Sold in that state, the Federal Government does not require justification of such rate surcharges. Who monitors this program?

Ms. POLLITZ. Well, the Federal Government does not monitor the rates at all, they just pay 65 percent of them, whatever they are. They are probably not paying 65 percent of too many of those premiums because people who are sick cannot afford to take the benefit. It is left to states that arrange for these programs to decide whether they want to limit the rates or not, many do not. Then states—in general, state insurance regulation varies a lot by states and many state insurers do what is called "file and use," they just file their rates and use them until such time as ever that that someone challenges them and their justification.

Mr. PASCRELL. Mr. Rosen, would you support the expansion of this program to include more folks who are in the service area?

Mr. ROSEN. Definitely.

Mr. PASCRELL. Why?

Mr. ROSEN. Senator Baucus tried to do that in 2002 and it was taken out of the bill when it was taken to the Floor. They are the people right now on the forefront of globalization, as we heard on the previous panel, and I do not really understand how we can discriminate and say that because of what industry you come from, you get some assistance and you get other assistance. So, they are being hurt just the same by competition from abroad or outsourcing, and so I think we need to cover those people.

Mr. PASCRELL. Work with one's hands and work with other parts of your body are all integral to the working person in this country.

Mr. ROSEN. The point I am trying to make is that the cost of job loss in this country is very high because in this country, relative to other countries, we place the burden on the worker. I am not suggesting that we should be like Europe, but in Europe the burden is absorbed by the government. But here in the United States we put the burden on to the worker, they pay the full price of the burden of job change, so that is why it does not matter if you are $100,000 wage IT worker or a $50,000 truckdriver.

Mr. PASCRELL. When you couple that with the fact that the American middle-class is drowning in debt, when you couple with the fact that there has been wage stagnation and that there is tremendous under-employment in the United States of America, when you couple that with the rise in inflation with energy costs, education, et cetera, et cetera, and when you look at the unemployment rate, which whether it states or overstates the strength of the labor market is debatable, I believe a very debatable issue. So, when people lose 20 percent, when they are being laid off, when they are being displaced, whatever category and however you define it, we are talking about a serious interruption of being able to maintain consumer buying power, purchasing power, aren't we?

Mr. ROSEN. Can I just say one thing and that is because this has not been discussed at all today——

Mr. LEVIN. Do it quickly.

Mr. ROSEN. One sentence and that is that when if we do the adjustment successfully, these people pay taxes. So, the gentleman

from Pennsylvania today who is making more money than he did before is going to be paying more taxes.

Mr. PASCRELL. Thank you, Mr. Rosen. Thank you, Mr. Chairman.

Mr. LEVIN. Thank you. I was going to use my time to let each of you comment on the testimony of the others but it is late, so maybe I will not do that. This has been a stimulating panel. I think, Mr. Rosen, your responses as to why there was a TAA and why there needs to be expansion of a trade-related adjustment assistance is something everybody needs to hear. Let me just as you leave, I want to say one thing because you know this country in terms of re-training of adjustment and efforts regarding dislocation really I think is behind the curve. If you look, for example, at Canada or other countries, it is a fraction, as you mentioned, of France and Germany but even if you take into account the difference in unemployment, somehow it does not add up, especially when we have you mentioned about nursing at community colleges, the ability to train and re-train in this country. I think one reason why so much of the public is not influenced by the rise in GDP, for example, is because in the individual lives of people, there is more insecurity today than security.

Let me just finish in terms of citing facts. I think people do a disservice to their cause when they very much exaggerate. I just wanted to say to you who work at the Hudson Institute, to take a figure of 97 percent coverage and to put it in your testimony regarding the problems of dislocation will turn off a large number of people from reading the rest of your testimony because it slips by the reality. It is true perhaps that 97 percent are working and there is unemployment compensation tax that is being paid on them, I am not sure the 97 percent figure is correct when you say "coverage," but if you say that, I will accept it for the moment. But in terms of the people who become eligible, it is less than half of that and it is not only because they change jobs; a large number of them are people who work for a time and they never receive coverage. A lot of them are working, as you know, in states where the differentials in terms of eligibility coverage, those differentials are huge from place to place. So it is not helpful to your position, if I might be direct, to take that figure when we know there are some major inadequacies in the unemployed compensation system of this country. They are major problems, aren't there? When you say 97 percent coverage, why do you not talk about the number of people who work hard who are laid off through no fault of their own and never receive anything?

Ms. FURCHTGOTT-ROTH. Because systematically, there might be a few anecdotes that you can get, but it is not a systematic problem in the United States.

Mr. LEVIN. When you say a "few anecdotes,"——

Ms. FURCHTGOTT-ROTH. Yes.

Mr. LEVIN [continuing]. I will tell you what I will do is I will send to you the information regarding these problems in the unemployment compensation system and then you submit a response for the record. It is not anecdotal. There are structural issues within the unemployment compensation——

Ms. FURCHTGOTT-ROTH. You did not let me finish my sentence. I said it is not a systematic problem in the United States right now. We have a low unemployment rate, vast amounts of job creation. We have a few problems in the job training area. We spend $10 billion on job training, much of it duplicative. But in general the private sector does much of the job training. No one relies on the Federal Government for these job training programs. The private sector does most of it.

Mr. LEVIN. All right, you can take the apprenticeship programs, for example, in the building craze and say they are private sector, they have some Federal assistance. You are determined to minimize the role of the Federal Government in assisting job training programs, then you talk about nurses and say maybe there should be some Federal assistance in terms of nursing programs. It is that kind of polarization that very much handicaps this. You were in the Labor Department. There was a majority here in the House and Senate. You talk about all the duplication. For years nothing was done in terms of these programs. You worked in the Department and now we will hear from the Department spokespersons who have helped to guide these programs. They have helped to guide these programs including TAA.

Ms. FURCHTGOTT-ROTH. For the past three or 4 years, the Department of Labor has proposed eliminating the duplication and reforming the workforce training system and Congress has not acted. These things have to be changed by law, it is not a matter of the Department just moving things around.

Mr. LEVIN. Well, except the Department is the on that has the formula for TAA programs. That is not mandated by Congress and so if there are problems, they could have been resolved by the Department.

Ms. FURCHTGOTT-ROTH. Some problems, some things can be resolved but the whole issue of the duplication of services in the workforce training program cannot be resolved by the Department because it is a matter of cutting certain programs and combining them with others and this the Department has proposed in budgets in the past 3 or 4 years.

Mr. LEVIN. Nothing happened.

Ms. FURCHTGOTT-ROTH. Nothing has happened, right. The Department has also, by the way, proposed cutting wasteful programs, programs that Secretary Chao sees as wasteful and the Congress has refused to let her cut wasteful programs too.

Mr. LEVIN. Yes, and we were not in the majority.

Ms. FURCHTGOTT-ROTH. But now that you are all these things are going to move forward much more smoothly, and we should see this happening.

Mr. LEVIN. We will make sure I hope that people who are laid off in, for example, service industries are not excluded, that the formula will be changed so that states have adequate TAA moneys. When some states are doing anything in terms of the use of the moneys, they maybe do not need them, that is a total imbalance that is within the power of government, in this case, the administration to change and now we are saying to them, "Change," and now they are going to do something.

All right, I am going to send you the unemployment compensation thing and you can respond for the record, okay?

Ms. FURCHTGOTT-ROTH. Absolutely, I would be delighted to do that.

Mr. LEVIN. This was an unintended——

Mr. ROSEN. Can we just make a short statement, a short response?

Mr. LEVIN. Go ahead, 30 seconds. Each of you 30 seconds.

Ms. MCDONALD-PINES. What the administration has proposed over the past 3 years is essentially to block grant and cut programs. Since the Bush administration has taken office, these programs have been cut by about $1 billion. Their proposals for the first time would set a Federal cap on the amount of money that an individual could get for training. The last proposal was $3,000 a year for 2 years. That certainly pales in comparison to the amount of money that is available under Trade Adjustment Assistance and it is not sufficient to help workers who need long-term training.

Mr. LEVIN. Each of you will get 30 seconds.

Mr. ROSEN. As a share of GDP, the Federal Government is currently spending half, of what it was spending 10 years ago on training and employment programs.

Mr. LEVIN. Ms. Roth, you get 30 seconds to say anything further.

Ms. FURCHTGOTT-ROTH. I think that these programs, no one really believes Federal job training programs do any good and if you ask any CEO, GM, any of the major companies, small businesses, they say, "We take the people and we train them." We need to do a lot better job at the high school level too, making sure that there are fewer high school dropouts, that people have sufficient standards that employers can then train them because that is how the most effective workers and workforce training programs happen within the companies, with people who have a good solid base of education. We are not doing a good job in the elementary and secondary school years either with dropout rates of around 20 or 25 percent. That is something that we need to fix.

Mr. LEVIN. Ms. Pollitz.

Ms. POLLITZ. Back to health insurance, I think the Health Coverage Tax Credit, while a good idea and concept, has turned out to be more of a tease. It is sort of held out there as assistance that most people cannot take advantage of and that is very unfortunate. I think Mr. Stark's suggestion that you could replace that with a program that is available to everybody, that is easy to find, easy to enter, treats everybody the same and is affordable and adequate would be a better approach to this program.

Mr. LEVIN. Mr. Courtney, you are not batting fourth clean-up, fifth is pretty good in the line-up.

Mr. COURTNEY. Thank you, Mr. Chairman. I would just say that I think in response to one of the witnesses, I think we listen too much to CEOs in this country and not enough to workers. The fact is that there are millions of workers that are getting displaced due to globalization and international trade and it is happening even in highly skilled, educated workers. If that happens, they need access to re-training. They need access to skills in a rapidly changing industry and world. For people—it is incredible to me to

imagine that people can sit here where we are at in today's economy and say that millions of workers are not getting displaced due to trade and the government should have no response, to me is an outrageous statement. I certainly hope that is not the direction this Congress will take.

Mr. LEVIN. Alright.

Mr. PASCRELL. Mr. Chairman? Mr. Chairman?

Mr. LEVIN. Yes?

Mr. PASCRELL. I would like to make a point, I have stayed here for 4 hours, can I make a point, sir?

Mr. LEVIN. Sure.

Mr. PASCRELL. Thank you.

Mr. LEVIN. In 30 seconds, you are capable of doing that.

Mr. PASCRELL. Mr. Chairman, it took us 4 hours to hear that something that obviously we may have known before we got into the room and that is there is an attempt to undermine, if not eliminate, the Federal programs that do exist out there as now being meaningless. The point is this, Mr. Chairman, while the Federal Government has been accused of basically interfering and getting involved and everybody says, "Less government, less government," it is the very same government that has violated that premise by either through actions of the Congress or the executive branch of government has put all the eggs in one basket. I agree we have too much government and that is why the position we are in right now. What we do need, however, is to act and respond and correct this out-of-course line that we have traveled. Ms. Roth, in all due respect to the Chair, in all due respect, you are learned person and I do not say that to patronize you but you are so off-course it is not funny.

Ms. FURCHTGOTT-ROTH. By the way, I would like to say you that when you said there were cities in United States with a 13.5 percent unemployment rate——

Mr. PASCRELL. Yes.

Ms. FURCHTGOTT-ROTH. —the highest unemployment rate in April 2007 was the Detroit area with 7.5 percent. You are almost 50 percent wrong with that.

Mr. PASCRELL. No, I do not think I am wrong because many of those people in those cities do not cooperate with the Labor Department and check off. They have dropped out of the labor scene altogether. For you to provide the impression, I have got to get upset about this thing, I will tell you this right now——

Mr. LEVIN. In fifteen seconds.

[Laughter.]

Mr. LEVIN. I think he can do that.

Mr. PASCRELL. Because there are so many under-employed in our cities that are not being counted, and this is what I referred to before, this is a serious, serious problem. We may not refer to these people within the program that we are discussing today, but they are there. If you do not think they are there, I will show you them. Come to Patterson. Come to Passaic, New Jersey. Come to Newark, New Jersey. I will personally take you on a tour and then you make your own judgment. Put a face on these numbers, Ms. Roth, please.

Mr. LEVIN. All right. Actually, this made it even more interesting. I think your statement that the "Federal training programs do no good" does frame a position that may underlie some of the approach but I hope not. I hope that this Committee, and I say this to you, Mr. Herger, and the Subcommittee, the full Committee and the Congress can put together a reform of TAA that will lend more than majority party support. We will see.

Mr. STARK. Mr. Chairman?

Mr. LEVIN. Mr. Stark?

Mr. STARK. I just wanted to add, as I think about it, as one of the few former CEOs in Congress, what I find is it is really easy to discuss these issues with them because so many of my former colleagues are in places like Allentown where they are getting government re-training as they serve their time. So, it would be very easy to find a lot of CEOs with whom we could consult.

Mr. LEVIN. On that note, thank you very much. Now we are going to hear the two very distinguished witnesses. Seriously, I think it does bring us to an important point of having a discussion with Hon. Mason M. Bishop, who is the deputy assistant secretary, Employment and Training Administration at the Department of Labor and David Williams, the director of Electronic Tax Administration and Refundable Credits of the IRS. As before, your testimony will be put in the record. Deputy Secretary Bishop, you are going to lead off. Use your judgment as to—because we have your testimony, how much you want to review that, how much you want to have an interaction with us on what you have heard so far and likewise, Mr. Williams, so welcome. It is your time.

STATEMENT OF THE HONORABLE MASON BISHOP, DEPUTY ASSISTANT SECRETARY, EMPLOYMENT AND TRAINING ADMINISTRATION, DEPARTMENT OF LABOR

Mr. BISHOP. Okay, great. Mr. Chairman and Members of the Committee, I am pleased to have the opportunity to appear before you to discuss the reauthorization of Trade Adjustment Assistance or TAA, as it is more commonly known. Since the 2002 reauthorization of TAA, we have made several important administrative improvements to the program. The first major improvement we made is in the area of fiscal management. Prior to 2004, TAA funds were distributed to states on a request basis. What this meant was that states would request what they thought they needed, and the Department would make a guess and provide funds. This led to many problems including distributing all funds mid-way through a fiscal year. In 2003, we commissioned a study that found that states were gaming the system and that there was no concrete methodology for distributing funds. Therefore, starting in Fiscal Year 2004, the Department adopted a new TAA allocation formula to fund state TAA needs more equitably and ensure that current year funds are allocated efficiently to meet current year needs. This reform has worked very well and states are being held accountable for TAA training funds.

Second, I would like to discuss administrative improvements to program performance. In Fiscal Year 2001, the Department implemented a new Trade Act Participant Report to track participant outcomes. Prior to 2001, there was no outcome reporting and data

was extremely sparse. It is safe to say that policy-makers had no idea what was being accomplished with the billions of dollars being spent on TAA. As a result of our reforms, we can now tell Congress and the public what outcomes are being achieved and how the TAA program compares to other employment and training programs. We have also initiated a 5-year impact evaluation of TAA, the full results of which will be available in 2011.

Finally, the Department has taken significant steps to improve the speed of petition processing. As a result, the average processing time for TAA petitions has been reduced from a high in Fiscal Year 2002 of 96 days to the current average of 31 days, which is well below the statutorily allowed 40 days. Rather than having a huge backlog of unprocessed petitions, which is what we faced in 2001, now workers gain access to TAA services faster because their petitions are being reviewed expeditiously and with quality.

However, administrative improvements alone are not enough. The TAA program must be re-examined to address its current flaws in light of the new challenges of the 21st century global economy. As currently designed, TAA is an all or nothing program. By requiring a worker to give up benefits if he or she returns to work, including the education and training benefits so many of these workers need, and remain unemployed and out of the labor market for extended periods of time, the program limits worker options to do what is best for a person in his or her family.

Access to training in the Trade Adjustment Assistance program is also problematic. Training options may not be flexible enough to meet worker needs and workers attempting to access these training options often face barriers, such as strict enrollment deadlines. In addition, workers cannot access training prior to their trade-affected layoff even if their worker group has been certified.

With these issues in mind, the Department has identified four overarching priorities to achieve through reauthorization. The first priority is that trade-affected workers must have increased individual opportunity to earn and learn through the Trade Adjustment Assistance program by having access to transitional benefits in certain cases. Benefits under the program should include a menu of services that allows the worker to choose the option that best fits his or her individual needs.

The second priority for reauthorization is for trade-affected workers to have improved access to education and training. Reauthorization should ensure greater access to postsecondary education training by providing new economy scholarships. These scholarships should be available to certified workers whether they are unemployed or return to employment.

The third reauthorization is that trade-affected workers should have access to education and training prior to layoff.

Finally, the fourth priority for reauthorization is that trade-affected workers must be able to access services through a streamlined and efficient workforce investment system.

The Department firmly believes that these proposed reforms will help more workers return to work as quickly as possible in high-skilled jobs that pay good wages.

Mr. Chairman, this concludes my opening statement, and I will be pleased to respond to any questions the Committee might have.

[The prepared statement of Mr. Bishop follows:]

STATEMENT OF MASON M. BISHOP
DEPUTY ASSISTANT SECRETARY OF LABOR
FOR EMPLOYMENT AND TRAINING
FOR THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

June 14, 2007

Mr. Chairman and Members of the Committee, I am pleased to have the opportunity to discuss the reauthorization of the Trade Adjustment Assistance (TAA) program. Since the 2002 reauthorization of TAA, the Department of Labor has worked with the states and the public workforce investment system to help trade-impacted workers by providing job training assistance and income support. Over this time, we believe we have gained valuable insights into the ways TAA can be administered to assist trade-impacted workers more effectively.

INTRODUCTION

We are currently in the midst of historic economic transformation based on advances in communications and information technology. Innovation and high technology have created well-paying career opportunities. However, this requires American workers to have greater education and more advanced skills, which creates a growing policy imperative with regard to workforce investment in our nation.

This reality is reflected in the economic projections produced by the Department. Nearly two-thirds (12 million) of the 19 million new jobs created over the next decade will require some post-secondary education and training—a dramatic increase in the overall education level required of the U.S. population. Young people must stay in high school and have avenues to access postsecondary education, and our current workforce must find ways to improve and update their skill sets.

As the U.S. continues to face economic transformation due to technology and globalization, increased flexibility is critical for our workers and communities to be responsive to these changes. The reauthorization of TAA offers an opportunity to increase the flexibility and effectiveness of the program by streamlining it and providing trade-affected workers with the skills and specialized knowledge most in-demand by industry. The TAA program has the potential to bolster our overall competitiveness while serving the needs of our workers, but it must be reexamined in light of the new realities of our regional labor markets and the new challenges of the 21st century global economy.

An improved TAA program can be an important tool for keeping our nation's workforce competitive. Business leaders have told us that their most critical challenge in growing their companies is finding and hiring workers with needed skills and retaining those skilled workers. Considering that the Department certified close to 120,000 workers last year for TAA benefits, and that, on average, those workers had 10 years of work experience, we know that TAA can be part of the solution to helping workers obtain additional skills and meet the workforce needs of businesses.

TAA can provide the training and support needed to help trade-affected workers become an asset in their community's response to an economic shock. The federal government invests nearly $1 billion every year in TAA funds that provide training, income support, job search and relocation assistance, wage subsidies for older workers, and the Health Coverage Tax Credit (HCTC) to certain workers whose job loss relates to foreign trade. These funds provide workers with the help they need to improve their opportunities to return to work in high skill jobs that pay good wages.

However, the TAA program is just one tool in a larger workforce development toolkit. Every year, about $15 billion in federal funds are invested in talent development through the public workforce investment system. Trade affected workers have access to an array of

reemployment services through the One-Stop Career Center system authorized under the Workforce Investment Act of 1998 (WIA). The assessment, career counseling, resume writing and interview skills workshops, and placement services available through the One-Stop Career Center system complement the services funded under the Trade Act. To provide workers access to the full array of services they need to be competitive in our global economy, the Department envisions better TAA service integration with the services provided through the One-Stop Career Center system. A reauthorized TAA program must utilize the larger One-Stop delivery system and be connected to the many other Federal job training programs that exist to train and prepare workers.

FLAWS IN THE CURRENT PROGRAM

Current authorization for the TAA program expires on September 30, 2007. The U.S. Department of Labor supports reauthorization of TAA and believes there is a real opportunity to improve the program's effectiveness and the return on our current investment. Although much of the TAA debate is about *who* is eligible for TAA, we believe that the reauthorization must take into account *what* happens to workers who are eligible.

As currently designed, TAA is an "all or nothing" program. By requiring a worker to give up benefits if he/she returns to work, even at a lower paying job or a job that does not provide health coverage, the program creates a disincentive for a worker to accept such employment. Additionally, financial support is only available to trade-impacted workers who are in full-time training – another disincentive to work.

Access to training is also problematic. As the program is currently designed, training options may not be flexible enough to meet worker needs. Workers attempting to access these training options often face barriers, such as strict enrollment deadlines. In addition, many areas confront the challenge of a limited number of training slots for high-demand occupations, and

there is a need for resources to increase the training capacity of local providers; therefore, workers either train for occupations where there is less demand, or languish on waiting lists for extended periods of time waiting for admission to high-growth employment training programs. In a 2006 study of the TAA program looking at five layoffs, the Government Accountability Office (GAO) found that the timing and availability of training programs unnecessarily limited worker training options, thereby reducing their ability to transition into high-growth, high-demand occupations.

Another flaw in the current program is that the Department cannot begin providing services to workers until they are actually laid off. This is true even in cases where the Department is notified of layoffs well in advance, such as in the case of the recent automotive layoffs. Moreover, once the Department actually begins providing services, workers must navigate the complex and confusing system that currently characterizes the TAA program. "Wrap around" services, such as counseling, testing, and job placement, provided under WIA, are an important complement to the services provided under TAA, but there is no requirement that programs providing such services to other dislocated workers co-enroll trade-affected workers.

The Department believes that reauthorization provides Congress an opportunity to improve the current TAA program to help workers gain the skills needed to successfully compete in the global economy.

PRIORITIES FOR IMPROVING THE TAA PROGRAM

The Department has identified four overarching priorities to achieve through reauthorization.

Increased Choice to "Earn and Learn"

The first priority is that trade-affected workers must have increased individual choice to "earn and learn" through the TAA program by having access to transitional benefits, such as education and training post-employment and transitional income support (in certain cases). Benefits under the program should include a menu of "New Economy Worker Services" that allows the worker to choose the option that best fits his or her individual needs. For example, training-related options should allow a worker to combine either full or part-time work with education and training. Similarly, workers should continue to have access to job search and relocation allowances if they are willing to relocate to obtain better employment.

Improved Access to Education and Training

The second priority for reauthorization is for trade-affected workers to have improved access to education and training. The reauthorization should ensure greater access to post-secondary education and training by providing "New Economy Scholarships". The New Economy Scholarship should be portable, enabling certified workers to have access to tuition assistance whether they are unemployed or return to employment. Workers should be able to choose to attend training full or part-time and use the funds for tuition, books, fees and required tools.

On-the-job training (OJT) should remain an option for workers, but the current design needs reform and unnecessary restrictions removed. Currently, when a worker participates in OJT, the employer may be reimbursed for up to 50% of the wage rate of the participant to cover the cost of providing the training and additional supervision. OJT is not widely utilized under the current rules, as only 590 workers participated in TAA-funded OJT in 2006. Training funds should be available to pay either the direct costs of required classroom training or the additional

employer costs associated with an OJT opportunity. Changes to the TAA program should be made to allow TAA participants access to apprenticeship programs.

For trade-affected workers to have improved access to education and training, regional economic institutions, such as community colleges, must have the capacity to provide appropriate training. Therefore, a portion of the funds provided under the Community-Based Job Training Grant program should be devoted to enhancing the capacity of training providers, primarily community colleges, to create immediate and needed training programs for trade-affected workers. These funds could improve workers' access to education and training by addressing training capacity issues that would mitigate unnecessary delays in training enrollment, such as having to wait for a semester to start.

Early Intervention

The third priority for reauthorization is that trade-affected workers must have access to education and training prior to layoff. As stated earlier, although workers threatened with separation may be certified as eligible for TAA, the current law does not afford services, allowances, or training to workers until they are totally or partially separated. Beginning training prior to layoff could shorten the duration of unemployment or entirely prevent the worker from experiencing the trauma of unemployment by providing the skills necessary to secure new employment before the layoff occurs.

Integration with the Workforce Investment System

The fourth priority for reauthorization is that trade-affected workers must be able to access services through a streamlined and efficient workforce investment system — one that is customer focused and does not arbitrarily limit services. Currently, in many states, state employment service staff and managers, funded partly by Wagner-Peyser and partly with TAA

administrative funds, administer much, or all, of the TAA program at the local level. In other states, local WIA staff provide TAA services. As encouraged by the Department through administrative guidance and technical assistance, TAA services should be delivered through an integrated One-Stop Career Center delivery system.

These changes could streamline access to career counseling, assessment, and career and employment information, thereby helping the worker make informed choices about the options available to him or her. Moreover, this reform could improve access to other supportive services such as transportation assistance or subsidized child care through programs available at One-Stop Career Centers.

ADMINISTRATIVE IMPROVEMENTS TO THE TAA PROGRAM

The Department has made several important administrative improvements to the TAA program over the past several years. These improvements are especially evident in the areas of fiscal management, performance, and petition processing.

Fiscal Management

Prior to 2004, TAA funds were distributed to states on a request basis, leading to a race among the states to request funds. This approach did not result in an equitable distribution that targeted funds to where they were most needed, and states were not held accountable for their expenditures. Therefore, in fiscal year 2004, the Department adopted a new TAA allocation formula to fund state TAA needs more equitably and ensure that current year funds are allocated efficiently to meet current year TAA training needs. In addition, the Department holds 25 percent of available TAA funds in reserve, which allows us to meet state needs for additional training funds throughout the fiscal year. Although we do not actively try to end the fiscal year with funds still available in the reserve account, the ability of states to begin a new fiscal year with a distribution at the end of the current fiscal year allows us to mitigate the disruptions states

experience under Continuing Resolutions, when funds are not made fully available until well into the fiscal year.

Overall, we believe the adoption of a formula-based methodology for distributing TAA training funds has been a success. Since adopting this formula approach, no state has ended the year without access to additional TAA training funds when they have been able to show that they have expended at least 50 percent of their current year allocation or have otherwise demonstrated need. The Department has, however, become concerned that some states carry a significant level of funds into the new fiscal year, while other states have expended nearly all funds allocated. The "hold harmless" formula provision, which guarantees a state 85 percent of the prior year's funds, may be causing this imbalance. In implementing the formula, the Department believed that the hold harmless provision was important to ensure funding stability while states were becoming accustomed to the new methodology. Now that states have experience with the formula and the reserve process, the Department is reviewing the current funding formula and believes it is appropriate to consider changes for the next fiscal year.

Performance

Program performance has long been an issue in the TAA program. The Trade Act contains no provisions that require states to report on program outcomes, nor are there any statutory sanctions or incentives for performance. In fiscal year 2001, the Department implemented a new Trade Act Participant Report (TAPR) to track participant outcomes. Over the past few years, the Department has worked extensively with states to focus attention on the importance of achieving national performance goals for TAA participants. States have shown steady improvements over the past couple of years, and in fiscal year 2006, states surpassed two of the three outcome-based national performance goals, with the third missed only by a narrow margin.

To obtain better information on the performance outcomes of TAA and guide future improvements, DOL has initiated a five-year impact evaluation of TAA, the results of which will be available in 2011.

Petition Processing

The Department has taken significant steps to improve the speed of petition processing, and we have placed a priority on improving the consistency of case determinations. We have implemented procedures requiring that investigators contact the petitioners in addition to employers, and, in the event of discrepancies in evidence, the investigator is required to reconcile the discrepancy. The Department requires that investigators ensure that all findings have supporting documentation available in the official record. The Department also has an ongoing process of reexamining and revising its policies as necessary, in response to case adjudications. The result of these actions has been that the average processing time for a TAA petition has been reduced from a high in fiscal year 2002 of 96 days, to the current average of 31 days, which is well below the statutorily allowed 40 days.

CONCLUSION

The Department firmly believes that these proposed reforms will help more workers to return to work as quickly as possible in high skill jobs that pay good wages.

I would be pleased to respond to any questions that you or the other members of the Committee may have.

Mr. LEVIN. Thank you.
Mr. Williams?

STATEMENT OF DAVID R. WILLIAMS, DIRECTOR OF ELECTRONIC TAX ADMINISTRATION AND REFUNDABLE CREDITS, INTERNAL REVENUE SERVICE

Mr. WILLIAMS. Thank you, Mr. Chairman. In the interest of the lateness of the hour, I will also be brief as you suggested. I just want to make a couple of comments about the Health Coverage Tax Credit and how the IRS administers it. First, implementing the HCTC was a real challenge for the IRS. While we are pretty good at efficiently processing large volumes of returns and tax payments, the tax system is set to accomplish that once a year. In contrast, the HCTC for the most part delivers taxpayer payments and distributes them to health plans on a monthly basis. Because these payments are so different, we had to start from scratch to build a system that was fundamentally different from anything else the IRS does. We had to create new business practices, systems and infrastructure components from the ground up to administer a monthly payment.

Secondly, despite those challenges, we have worked cooperatively with our colleagues at the Department of Labor, with state workforce agencies the PBGC, and many health plan administrators to implement the program effectively and as efficiently as we could. Since its inception about 4 years ago, we have delivered the tax credit to over 71,000 taxpayers and their family members. Our offices handle over 550,000 calls and mails more than 800,000 program kits to assist taxpayers in determining their eligibility for the program. We have processed over $380 million in premium payments to over 1,800 health plan administrators. Between the month and end-of-the-year options, the total amount of HCTC credit paid, the 65 percent portion, doubled between 2003 and 2005 to nearly $100 million this year. We have had good customer satisfaction with HCTC, our past measurement showed it to be about 90 percent, and we found that the program has a very low error rate, something that is sometimes a question with regard to refundable credits.

One last point, Mr. Chairman, that I would like to make concerns the trends we are seeing and the costs that are associated with administering the program. While historically changes in the steel, textile, airline and other manufacturing industries have contributed to the growth in the number of participants, we are beginning to see other industries, such as the auto and parts manufacturing industries enter the program. Potential expansion of TAA eligibility may drive more workers to participate. For this reason, let me point to the cost of administering the program. I suspect you may want to ask about that. I noted earlier that we created a new and functionally separate program to administer the credit. Even though it makes it easy for us to look at the cost, it is hard for us to know what will happen to those costs if the program is expanded. However, we have done some preliminary work on that, and we think that the cost per beneficiary or the cost to deliver the program will drop with some economies of scale. For now, I can tell you that if we were to triple the number of taxpayers taking the

monthly credit, right now it is a relatively small number, about 16,000 taxpayers a month get a subsidy through the Health Coverage Tax Credit. If we were to triple that number, our costs would go up about 40 percent. Our costs now is $20 million, so you can see that they go up some. However, if we were to expand it substantially, and I believe there are proposals before the Congress that would do that, we would have to go back and look and see what the costs would be.

Mr. Chairman, that is a summary of my written statement, which goes into greater detail. I would be happy to answer any questions. Thank you for the opportunity to testify.

[The prepared statement of Mr. Williams follows:]

Prepared Statement of David R. Williams, Director of Electronic Tax Administration and Refundable Credits, Internal Revenue Service

Good morning Chairman Rangel, Ranking Member McCrery and Members of the Committee. I appreciate the opportunity to appear today to discuss the IRS' experience in implementing the Health Coverage Tax Credit (HCTC). My name is David R. Williams, and I am the Director of Electronic Tax Administration and Refundable Credits with the Wage and Investment division of the Internal Revenue Service (IRS). As my title would imply, my office is responsible for administering all refundable credits, including the HCTC.

Background

In the Trade Act of 2002, Congress established a new refundable tax credit for the purchase of health insurance. The credit was designed to help certain workers who are certified for participation in the Trade Adjustment Assistance (TAA) program or the TAA and the Alternative Trade Adjustment Assistance (ATAA) program to maintain health insurance. The credit covers 65 percent of premium costs for certain eligible participants, which includes those who had lost their jobs due to trade and were thus eligible for TAA/ATAA and those who receive guaranteed pension payments through the Pension Benefit Guaranty Corporation (PBGC).

Eligible individuals can use the HCTC to purchase certain types of qualified health insurance for themselves or their families. An eligible individual can use the tax credit to purchase coverage from a former employer that the employer is required to provide under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) or to purchase coverage through his or her spouse's employer, if that employer covers less than 50 percent of the premium.

Tax-credit recipients who are enrolled in individual health insurance for at least 30 days prior to losing their jobs can also use the tax credit to subsidize the purchase of insurance in the individual market. In addition, states are allowed, but are not required, to offer other health insurance coverage options for individuals eligible for the tax credit. In so doing, states can enter into arrangements with private insurers for group health insurance coverage for tax credit recipients, allow recipients to "buy in" to the health insurance plan for state employees or a similar plan, or allow recipients to purchase insurance through state high risk pools.

Program Implementation

The IRS was given the task of implementing the new health coverage tax credit in August 2002. Creating a program that provided an opportunity for eligible taxpayers to have 65 percent of their health plan premiums paid by the government presented a significant challenge to the IRS. The law provided two ways for eligible taxpayers to claim the HCTC. The first is the more traditional method where taxpayers pay for health insurance throughout the year, and then claim 65 percent of the premiums they paid at the end of the year on their tax return.

The second way to claim the HCTC was unique. Taxpayers could enroll to receive the credit on a monthly basis by sending the IRS 35 percent of their monthly health insurance premiums. The IRS matches their payments with the 65-percent government portion, and remits 100 percent of the monthly premiums to the taxpayer's health plan. This difference in the way the credit can be claimed led the IRS to establish a separate and distinct program to meet the needs of administering this credit.

We had to start from scratch to build a system that was fundamentally different from anything else the IRS does. We created new business practices, systems and infrastructure components from the ground up to administer a monthly payment.

While the IRS is very good at efficiently processing large volumes of returns and tax payments, the tax system is set up to accomplish that task once a year. In contrast, the HCTC, for the most part, receives taxpayer payments and distributes payments to the health plans of enrolled taxpayers on a monthly basis.

We were also challenged in that we had only a matter of months to implement a program that took in payments from eligible workers, made payments for them to qualified health plans, and ensured that workers adhere to complex rules regarding eligibility, enrollment and payments, while providing customer service to the affected taxpayers. The program also required strong collaboration with organizations such as the Department of Labor (DOL), the PBGC, state workforce agencies and many health plan administrators.

By June 2003, the IRS began accepting registrations to enroll in the monthly HCTC. To become eligible, either the taxpayer's pension must be trusteed by the PBGC, or their TAA and ATAA petitions must be certified by the DOL, and they must meet other eligibility requirements.

The IRS provides oversight and administration of the HCTC when the PBGC and the states forward the names of potentially eligible taxpayers to the IRS. At this point, the IRS sends a Program Kit to these potentially eligible workers. The kit is designed to help workers determine if they are eligible and, if so, to facilitate registration. Many taxpayers to whom we send these kits do not register because they do not meet all of the eligibility rules required to receive the credit.

Eligible taxpayers send their registration to the IRS' HCTC Customer Contact Center for processing. We are generally able to enroll taxpayers in the monthly HCTC program in an average of six days, though it could take additional time to get them into the monthly payment-processing cycle. Taxpayers then remit their monthly health premiums to IRS until their qualified health insurance coverage lapses, they become eligible for Medicare, they find a job, they don't meet the relevant TAA/ATAA eligibility conditions for the HCTC, or for other reasons.

The IRS also processes any changes to a taxpayer's health coverage. This could include premium changes, family member updates, and new insurance carriers.

The IRS has a robust case management process that allows us to resolve taxpayer transactions and issues across Federal and State boundaries and commercial entities.

HCTC Performance Data

During tax year (TY) 2005, HCTC identified 350,000 potentially eligible taxpayers and informed them of the program. IRS has recently revamped registration materials to improve taxpayer access to the credit. We conducted focus groups with HCTC Customer Service Representatives, interviewed HCTC stakeholders, rewrote the Program Kit and registration form and field tested the completed materials.

In addition, as part of the Administration's Program Assessment Rating Tool (PART) we have committed to:

- Working with other participating federal agencies to developing long term goals by 2011 that capture the program's success in providing access to the tax credit to potential beneficiaries.
- Working with partner federal agencies to find ways to improve access to the tax credit for eligible workers.
- Continuing to focus on administrative changes to lower program cost and improve taxpayer service

During TY 2005, 28,000 taxpayers claimed the credit either through the monthly program or on their end of year tax returns. An additional 17,000 family members benefited from the credit. The average monthly premium in TY 2005 was $660 meaning that the participant had to pay $231 monthly and the government $429. In 2007 the monthly premium has risen to $720.

Overall, HCTC participation has increased each year since its inception in 2003, with a higher percentage of participants using the monthly credit option each year. In TY05, nearly 79 percent of participants took advantage of the HCTC using the monthly credit.

Currently, TAA/ATAA benefit recipients comprise 37 percent of the enrolled population claiming the HCTC, while PBGC beneficiaries represent 63 percent of the enrolled HCTC population. The PBGC eligibility timeframe is up to 10 years, while TAA eligibility expires much earlier.

As of April 2007, the HCTC program has delivered the tax credit to over 71,000 taxpayers and their family members. Our office has handled over 550,000 calls, mailed more than 800,000 Program Kits, and processed over $380 million in health premium payments to over 1,800 health plan administrators. The annual amount of IRS HCTC credit paid (the 65 percent portion) doubled between TY 2003 and TY

2005 increasing from $46 million to $92 million. The HCTC customer satisfaction levels have consistently been 90 percent. In addition, as HCTC enrollment slowly increased, the IRS has continued to find cost savings and operational improvements designed to reduce the cost per taxpayer served.

Finally, we believe this program experiences very low erroneous payments or fraudulent activity compared to other tax credits. There are a number of reasons for this. First, we have instituted robust compliance checks, such as confirming age/Medicare eligibility, verifying COBRA continuation coverage end dates, and verifying HCTC eligibility on a monthly basis.

Second, taxpayers and health plans register to participate in the monthly program. As part of this registration, the IRS reviews health plan documentation to verify that the plan is qualified, that the taxpayer is a current subscriber and to confirm an accurate premium amount. This is different from other IRS tax credit claims, which rely mostly on self-attestation.

Third, for nearly 80 percent of participants, we do not pay this credit directly to taxpayers. Rather, enrolled taxpayers pay IRS their portion of their monthly health premiums, and the IRS pays the full premiums to the health plans.

Reasons for Seemingly Low Participation Rates

As indicated earlier, we identified 350,000 potentially eligible taxpayers for TY 2005 and notified them of the program, but only 28,000 signed up during the course of the year—below what was originally projected. Some of the 350,000 *potentially* eligible taxpayers do not meet other HCTC eligibility requirements, such as:

- Having coverage from a spouse that pays more than 50 percent of the premium;
- Being entitled to Medicare (which precludes any covered family members from continuing to receive the credit); or
- Not meeting the training and other requirements for TAA/ATAA assistance.

We are unable to determine the number of *eligible* taxpayers who do not sign up for the credit. Many eligible participants may be unable to afford their 35 percent share of the premium because they have no source of income. In addition, some individuals cannot meet the requirements for an eligible plan because the rules for a qualified health plan are complex. It also may take a long time to establish initial eligibility through either the PBGC or the TAA because establishing eligibility can be an extensive process due to the various information gathering and review requirements involved.

HCTC Future Trends

While historically, changes in the steel, textile, airline and other manufacturing industries have contributed to the growth in HCTC participation, we are beginning to see workers in new industries participate in the program. In addition, policies under consideration to expand TAA eligibility would increase participation. For this reason, let me discuss the costs of administering the HCTC.

I noted earlier that the IRS created a new, functionally separate program to administer the credit. Even though this approach makes it easy to track overall HCTC costs, it is difficult to extrapolate how much more the program would cost if the number of participants were to rise. Some portion of HCTC costs are fixed costs of administering the program (such as IT infrastructure maintenance and support) which do not vary with the number of participants. As a result, dividing current total program outlays by the number of current recipients and then multiplying that amount by the projected number of new enrollees would yield an inaccurate estimate of the new costs. For example, IRS recently analyzed our ability to support HCTC program increases in preparation for an expected growth in the enrolled HCTC population due to auto industry trends. We found that if the number of taxpayers enrolled tripled, administrative costs would increase by approximately 40 percent.

Summary

Administering the HCTC has presented unique challenges for the IRS. Our prime function is to collect revenues and administer the tax laws. But, the HCTC has required us to create systems to offer outreach and assistance to eligible HCTC taxpayers, to process and approve applications, and to collect monthly payments from eligible participants, couple them with the government subsidy and send them to a qualified health insurance carrier. We have also had to establish relationships with not only other Federal agencies but also with state insurance offices and private health care providers.

Despite these challenges, we have increased our operational efficiencies and we have consistently earned a 90-percent customer satisfaction rate.

I appreciate the opportunity to appear today Mr. Chairman, and I will be happy to respond to any questions.

Mr. LEVIN. Mr. Herger?

Mr. HERGER. Thank you, Mr. Chairman. Mr. Bishop, I would appreciate if you would highlight the various initiatives undertaken by the U.S. Department of Labor in recent years to improve the administration of the TAA program?

Mr. BISHOP. Yes, I touched on some of those briefly in my oral statement, and they are in my written statement as well. They really fall under three categories. The first is TAA training funds. As I mentioned, the law provides $220 million in funds and leaves it to the Department to make the decision on how those are distributed. Frankly, we had a very broken process that we inherited early in 2001 and 2002. Basically, the states that screamed the loudest and got their requests in the earliest were the ones that got the money, and there was no correlation between states that had high levels of trade participants and how much money they received. For instance, North Carolina had the most trade participants in 2004 and yet were sixth in how much TAA training funds they received. All of the discussion here about states running out of TAA training money was under that process, not under our new methodology. We believe our methodology has fixed with that, and I can say with a strong assurance that any trade worker who is effected under the current law now can get training in any state in the United States of America as a result of our training dollar distribution.

The second is in program performance. As I mentioned, there was no program performance outcomes prior to 2001. Even with the 2002 Reform Act there are not any program performance and reporting requirements; however, we have been able to administratively implement those and now get some reporting from the states on whether people get jobs, at what wages, and do they keep those jobs.

Then finally, as I mentioned, we radically improved the petitioning process. In 2001, we had over 100 backlogged petitions. It would take workers three, four or 5 months in some cases to find out if their petition was being certified. Now, it takes them 1 month, 30 days, we are usually about 10 days under the 40 day statutory timeframe under the current law, so we are proud of our record on making those administrative reforms and changes and it is to the benefit of the workers in this program.

Mr. HERGER. Thank you, Mr. Bishop. Mr. Williams, much has been made today about the low participation rate for the HCTC program. I understand the IRS, while not disputing participation could be higher, has some issues with the data reported by the GAO in its study. (A) Could you explain why you believe this data is inaccurate? And (B) does an internal data process by the IRS show different conclusions?

Mr. WILLIAMS. Mr. Herger, I am not aware of any current dispute with the GAO with regard to the participation rate. In fact, we have worked very closely with GAO in their report on this subject. It does have low participation, and we do not dispute that. We

have spent a fair amount of time trying to figure out ways in which we could reduce barriers for taxpayers to participate in the program as a result of that low participation. We would not dispute that number.

Mr. HERGER. Thank you. Thank you, Mr. Chairman.

Mr. LEVIN. Mr. Stark?

Mr. STARK. Thank you, Mr. Chairman. I appreciate the witnesses being here. I just am kind of distracted by Mr. Herger's low participation rate. The GAO—you are talking about the GAO study?

Mr. HERGER. Yes.

Mr. STARK. Okay, I would just want to put in the record, Mr. Chairman, both page 58 and 57 of the GAO, which shows that the proper denominator is 436 workers, for instance, in General Mills and not 42, which would make the participation rates look somewhat different. Having said that, I have a couple of questions for Mr. Williams. The first is I gather from your title that you are intimately involved with the electronic information and control systems at IRS, is that correct?

Mr. WILLIAMS. Well, Mr. Stark, actually I——

Mr. STARK. Their electronic——

Mr. WILLIAMS [continuing]. Took on that job 3 days ago so that is my current title, but I have had 3 days to develop intimacy with——

Mr. STARK. But in that job, you are expected to understand all the electronic databases and everything that IRS has, is that correct?

Mr. WILLIAMS. I think actually within that job, I am supposed to understand how we administer and what we can do better. What can I answer for you?

Mr. STARK. How can you find me for these random audits that I now understand you are going to undertake? Can you tell me what kind of things you are going to put in there? If you were trying to identify me in that system——

Mr. WILLIAMS. If we were going to—when we do the audits that you are describing, we would not look for, nor would we necessarily find you, because they would be at random.

Mr. STARK. Positive of that? Okay. "Honest Injun?"

Mr. WILLIAMS. True.

Mr. STARK. Okay.

Mr. WILLIAMS. The point——

Mr. STARK. So, I take my chances that you are going to get Congressman Levin?

Mr. WILLIAMS. There is an equal chance. Let me just mention one thing, in most audits we select people because we have a very high expectation that there is a compliance problem, either deliberate or otherwise. Every once in a while, in order to figure out how to pick folks who are not complying, we do some random auditing, and we have limited it and worked very carefully to make sure it is as minimally burdensome as possible even thought it is not tough, so that we are better able to identify the taxpayers who are not complying.

Mr. STARK. That is not the topic, what I guess I am concerned about is that if I can generalize, you are suggesting that it is cost-

ing us about a dollar for every $2 of benefits on the monthly payment plan, is that——

Mr. WILLIAMS. Well, actually, that was the initial figure. In the last 2 years, we brought down the cost substantially. It is still not cheap. It costs us a dollar to deliver about five dollars worth of benefits today.

Mr. STARK. On the other hand, if you do the annual, how much does it cost a year for the one annual payment, a couple of bucks?

Mr. WILLIAMS. If that. As I said, we are really good at processing——

Mr. STARK. So, that is our range?

Mr. WILLIAMS [continuing]. That piece of paper. That is right.

Mr. STARK. This high cost of administration could be almost just an asterisk if we could figure out how to just make one disbursement a year? Would it make any difference whether we made it prospectively or at the end of the year?

Mr. WILLIAMS. As long as we had it built into the tax system and had the tax return.

Mr. STARK. What about, and I just pick this, paying at the beginning or the end, but what about a reconciliation at the end of the year using the standard tax form? In other words, could you tell easily and reconcile that if you paid my premium for a year up front for two bucks, then it turns out I worked for the last 6 months, could you collect from me simply the 6 months I would owe you out of the Tax Code or would that be just about as complicated as monthly payments?

Mr. WILLIAMS. Well, I think we would have to look at that to see if it, but we would need some third party reporting, the health plan would have to tell us that you were actually making those payments or we would have to know that you were collecting them.

Mr. STARK. No, what I am getting at is—okay, or I would have to tell you?

Mr. WILLIAMS. Yes, one way or the other, but we would need an independent verification. The second thing would be, and Congress would have to consider this, many taxpayers get to the end of the year looking for a refund and particularly lower income tax payers. I administer something called the earned income tax credit, which is really significant for many low-income taxpayers. It might be possible for the IRS to try and recover that 6 months of payments that we made on your behalf but you were not eligible for. But it might put a strong burden on those taxpayers if we said, "Okay, you owe us 6 months and you have got to pay it now or start paying interest and penalties." So, the timing of that might be tough as well.

Mr. STARK. Do you have a recommendation for us on a manner in which we might change the payment or any reconciliation that might be needed?

Mr. WILLIAMS. Mr. Stark, you have moved into a policy realm, which is really beyond my responsibility or ability to comment on. I will tell you this, we spend a lot of time trying to figure out; how we can reach eligible taxpayers and make it as clear as we can within the rules to let them know about the program. In fact, we have worked with the Department of Labor to try to shorten the period of time that they have to wait to figure this out. We do know

that people are happy with the program once they are in it. But to bring the cost down substantially, there will be some savings per taxpayer if we have a lot more people in it but it is still going to cost a fair amount of money to administer it.

Mr. STARK. An opinion, first of all, it would seem to me that you could do it in effect two ways. You could just have presumptive eligibility and disperse and trust that the beneficiary in this case would 'fess up at the end of the year if there was employment that would have disqualified some of the payments. Or you could go the other way and say these bums will lie every chance they get, and we are going to have to reaffirm this each month. My sense is that we might not lose as much money as we would save administratively if we just went ahead and presumed that people could have this just—they would have to qualify for the Trade Assistance but then just say, go ahead, you can just sign up and get it and then worry about getting those who might have been entitled to the full term?

Mr. WILLIAMS. Well, there are two things: One, I think if you had a presumption, you could certainly shorten the amount of time people are waiting. You might overcome some of the barriers to participation that we are having today because folks are not waiting around and trying to figure out how to come up with money to participate in the program. I do think experience shows, it is not folks that are trying to play fast and loose with the system. We are not talking about folks who have lots of money lying around to pay up if they make a mistake. One of the toughest things that we have had, particularly at the inception of the program, is folks not understanding the rules. One of my personal favorites is we did have some people who went out prior to the time they were going to lose their jobs and they bought health insurance. So when they enrolled in the program, they checked off the box that said, "Individual Plans." They did not understand the rule that it had to be in the individual market 30 days before losing their job, or they mistakenly bought a group plan. Those are folks who technically owe money back to us. So I think that when you look at this, Congress needs to decide if there is a mistake, if the worker makes a mistake, what are your expectations about the IRS getting money back from the taxpayer?

Mr. STARK. Go back to that, they bought a group plan just before the job ended?

Mr. WILLIAMS. Right.

Mr. STARK. What kind of—a group plan outside of their employment?

Mr. WILLIAMS. Yes, to cover themselves because they knew things were happening. There are very, very few people who did it.

Mr. STARK. What type of group plan would have been available?

Mr. WILLIAMS. A group retirement plan, It has been several years since it has happened, but what we found was that they were not in the individual market, and they did not know the difference. What we found though is when you go back to someone like that and say, "Okay, you have been getting the subsidy for the last 17 months and that is $5,000 that you owe the government," that is a tough thing to ask for. So what I would ask you to think about is if you are enamored with the model of presumptive eligibility,

what are your expectations about what the IRS should do when we find errors in that model?

Mr. STARK. Right, we will talk some more about that. Thank you very much.

Mr. LEVIN. Mr. Pascrell?

Mr. PASCRELL. Chairman, thank you, Mr. Bishop, Mr. Williams. Mr. Bishop, you talked very succinctly about the—in terms of your suggestions an increase choice to earn and learn and easier recommendations, improved access to education and training early intervention, you spent quite a bit of time on that, and the integration of the workforce. Let me ask you this question. Let's take two scenarios. We heard about Fruit of the Loom today. A large company decides to take its business offshore for whatever reason. Is there any difference between a person being laid off in that situation and a person in a machine shop, five or six employees, where it could be directly or indirectly associated to some trade policies because the customers have decided to go offshore? What is the difference between the individual applying for TAA in both of those positions?

Mr. BISHOP. Well, the process of applying for TAA would be exactly the same. Under the current statute, all you need are three or more workers to form a worker group in order to petition the Department of Labor for Trade Adjustment Assistance. So in the case of a five or six person machine shop, if they believe they were impacted by trade, those five or six individuals could band together as a worker group and petition the U.S. Department of Labor, and we would do an investigation and look at whether they were in effect a trade——

Mr. PASCRELL. Does the Labor Department communicate to businesses such as that or a small IT company that has only five or six people? How would they know about this? We have heard so many times——

Mr. BISHOP. Right.

Mr. PASCRELL [continuing]. Regardless of which area we go into, folks do not know.

Mr. BISHOP. Right.

Mr. PASCRELL. I have the opinion that people have a right to know since this is their own tax money that is involved in the program itself. Do you agree with that?

Mr. BISHOP. I do. In fact, the challenge we have hear and the important thing to remember, and there was some discussion in the prior panel about different employment training programs, the challenge we have at the Department of Labor is that we have a devolved system. The Federal Department of Labor, while we have responsibility to oversee programs like the Workforce Investment Act programs, and the Trade Adjustment Assistance programs. However, at the end of the day, the bulk of those moneys are pushed down to the state level and the local level, in the case of WIA, and it is in law their responsibility on our behalf to do that kind of outreach. A continual challenge we have as a Federal administering agency is assuring that the states are doing effective outreach, consolidating services, and integrating services; which is one of the biggest challenges. Some of the programs we have talked about, the Wagner-Peyser Employment Services has been around

since 1935. It is a state merit staff-based program. The WIA Dislocated Worker program, 60 percent of that money leaves our department each year, goes through the state right down to the local workforce investment boards, 40 percent is held at the state level and when you talk about thinks like TAA workers getting co-enrolled and do they know, the rapid response is a state function and yet the One-Stop Career Centers are managed locally. We essentially have designed systems in our country right now where we have created two or three different kinds of systems, operating by state and local folks, and we wonder why workers get confused. Then it is our responsibility to try to work through that, and we do the best we can but it is a big challenge.

Mr. PASCRELL. WIA is up for reauthorization.

Mr. BISHOP. It is, it has been up for reauthorization 4 years, and we have had a bill or a plan for the last three Congresses, including this one, we have had two bills passed out of the House and nothing passed out the Senate in the last two Congresses.

Mr. PASCRELL. That is not acceptable. I think it is very germane to the entire program from what I have read.

Mr. BISHOP. It is very germane. Let me mention one thing too because there is a lot of confusion in this area. The Trade Adjustment Assistance law currently only provides for the training and income support benefit, as well as the Health Coverage Tax Credit, relocation allowances, and job search allowances. The law anticipates that workers pre-training, pre-TAA and post—TAA training are going to get services through the Workforce Investment Act. Yet when I hear states, like we heard today say, "Well, we do not mandatory co-enroll workers," what that means, it is important for Congress to understand, that what that means is that the trade-affected worker in your district, that local community, the local workforce investment system is telling that worker we are not going to serve you. We are not going to do assessment, we are not going to do career counseling, and we are not going to after you get out of training help you find a job with post-training job placement assistance. That is why we continue to maintain we have to have an integrated approach to helping these workers.

Mr. PASCRELL. Why doesn't the Department of Labor, I have got some major problems with the Department of Labor, and I am going to be kind to you because you have been kind to this panel.

Mr. BISHOP. Okay.

Mr. PASCRELL. You have been very good, you have been forthright. That is very different than what I have experienced. But anyway why does not the Department of Labor track training funds——

Mr. BISHOP. We do track training.

Mr. PASCRELL [continuing]. On an obligated basis——

Mr. BISHOP. Sure.

Mr. PASCRELL [continuing]. Which according to a report that we just had on the WIA program by your own IG, by the way, says that it is a more accurate way to reflect legally committed funds.

Mr. BISHOP. Yes, I appreciate the opportunity to respond to that. The first thing that needs to be mentioned is that the IG staff that did that report, none of them were accountants. The reason that is important is because obligations are an accounting mecha-

nism. Let me give you a real life example of what we have dealt with around obligations versus expenditures in the TAA program. Prior to us changing the TAA training methodology, this is what states were doing. If you came into—if I had $10,000 to disburse in training to customers and you came through my door and you needed $5,000 per year for the next 2 years for training, I would obligate all $10,000 toward your training. Then if Mr. Levin came through my door, even though I only needed $5,000 for that first year, I would tell him, "Sorry, I have no money for training. I have it all obligated." Well, on average then you as a worker on average in the TAA program only train for 1 year. So, meanwhile I have told Mr. Levin that there is not money there when in fact there was $5,000 sitting there. Then on top of it, I do not go back and de-obligate that $5,000 so I continue in year two to tell people there is not money. Obligations are future commitments, they are not actual—money that was spent on actual services. We have all the states, we had Pennsylvania in 2003 that was in all kinds of trouble financially in this program, and we sent our senior executive manager up there to work with the state and what Pennsylvania was doing was creating all of these future year obligations and saying that there was not any money and none of those obligations came to fruition and none of that money was ever expended in training. So, on their books——

Mr. PASCRELL. Well, where did the money go?

Mr. BISHOP. It was on their books. It was never spent. They had it obligated in the accounting of the books, but they did not actually spend it on training. What we have found is that there is plenty of money in the system to spend on training.

Mr. PASCRELL. Mr. Chairman, I do not think there is a policy, unless I missed something here, to recapture the money that is not being spent so that it can be fairly distributed or re-distributed to folks that really need this.

Mr. BISHOP. That is correct.

Mr. PASCRELL. That disturbs me, should I be disturbed about it or what am I missing?

Mr. BISHOP. We do not have recapture authority in the law. We can voluntarily recapture. Once in a while we get a state that says, "I have more money than I need. Department of Labor, would you please recapture and disburse?" But, again, because we have set up a base allocation in a reserve process, at the beginning of the fiscal year, we hold $55 million in reserve, and we invite any state in the Union to come to us and say if you need more money for TAA training, we can get it to you. Every year for the first 3 years of this process, we have disbursed at the end of the fiscal year $20 to $30 million of unasked for money. So, any state who says, "I am spending all my money, I can't get any more," it is simply not true. We have put out money that has been unasked and unrequested by the states. So, to us we have demonstrated the $220 million under the current law is enough to meet the needs of trade-affected workers who are being certified by the Department of Labor as needing training.

Mr. PASCRELL. Thank you for your testimony.

Mr. BISHOP. Thank you.

Mr. PASCRELL. Thank you, Mr. Chairman.

Mr. LEVIN. Go ahead.

Mr. STARK. I want to just see if Mr. Bishop and Mr. Williams will hold hands there, and we will jump into this pool. I can maybe solve the problem of simplifying this health insurance thing but only for a small group. If, Mr. Bishop, the beneficiary used in the training program, they get the cash from you each month, right?

Mr. BISHOP. For training you are asking?

Mr. STARK. Yes, if they are in a training program for TAA.

Mr. BISHOP. Yes, we provide money to the states who then disburse the training to the customers.

Mr. STARK. If they the training program for instance quits for the summer, takes a summer vacation, do you get pretty quick feedback so you can cut out the payment or what do you do there?

Mr. BISHOP. Well, again, that is a real issue in the program that needs to be looked at. Right now, you can get up to 2 years of income support and 2 years of training and one of the reasons that Congress extended the amount of training that people could get and income support was to match those up in 2002 but the reality is that those do not match up and it is something that ought to be looked at. But, yes, what happens is somebody who is on a semester break, if there is not a part of the program they can continue, they would still maintain that income support until they could re-enter their—complete their training program.

Mr. STARK. So you do not get that money back?

Mr. BISHOP. No, we disburse those training moneys to the states and those are held at the state level to be used for providing training assistance to workers under the TAA program.

Mr. STARK. I am just wondering if you could not—I am sure you do not want to but it could take on Mr. Williams' responsibility of distributing—being in a more real time situation with each of these people. By the time Mr. Williams' here at IRS that they have quit training or have gone away, they may have continued to get benefits for three or 4 months toward the insurance but you would know it before he did.

Mr. BISHOP. Well, yes, Mr. Stark, you mentioned "presumptive" and again the point I would like to make on this, and it is a very important point to understand about the HCTC. In 2002, Congress tied, at least for the TAA workers, eligibility for HCTC on the receipt of the trade readjustment allowance, which is the income support, not on the training, not on the fact that you are certified as part of a worker group. That has created issues, it creates a couple of gaps. The first gap is that worker is laid off, starts collecting their regular UI benefit——

Mr. STARK. For 6 months?

Mr. BISHOP. For 6 months, right. Say they have to wait a couple of weeks, the worker group, somebody sends a petition into us, we take our 30 days. We then say you are eligible. Under the law at that point, that is when you are eligible for HCTC because you are receiving UI in lieu of TRA for that first 6 month period. So, there is always a one to 2 month gap to 3 month gap right up front for individuals from the time they are laid off to the time they are even deemed eligible because of the linkage to TRA. Then, once that happens, we have to get the state workforce agencies, the UI directors have to get those records up to the IRS. The IRS actually

processes it incredibly quickly given the data they have to collect from the state workforce agencies. Then they have a slight gap until they can get that first advanced payment out.

So, your presumptive question is an interesting policy question because right now the way the program is designed, there is always going to be a natural potential for a month or so gap from the time a person is laid off to the time the IRS realistically under current law can get that first payment out on behalf of that individual to the insurer. So, it presents a real dilemma. It is something from the very start in 2002, the IRS and DOL and even HHS have been involved in trying to figure this out given what the law said in terms of who was actually eligible.

Mr. STARK. At the risk of being accused of shilling for a Federal universal health care plan, which is not my intention here, but it does seem to me that the complication is compounded by the fact that there are different policies available, and in some cases no policies available, and at different costs for different states so that, and let's leave Medicare out of it for a minute, let's just say that we said, "Okay, we could get jurisdiction and once they are laid off and have applied, they are eligible to go to the VA hospital. If they did go and cost the government some money and later were not allowed in, go try and collect from them just the way we try and collect a bad debt from anybody else." But if you were dealing with one entity nationwide, it would seem to me we could resolve those payments at the Federal level and see that people had a continuity of medical care.

Mr. BISHOP. There are really two issues here I think Congress is going to need to look at——

Mr. STARK. Okay.

Mr. BISHOP [continuing]. In terms of HCTC, one is what we have talked about, which is the eligibility and at what point are you eligible and who is eligible.

Mr. STARK. Okay.

Mr. BISHOP. The second question becomes what types of coverage are you eligible for. The reality I think of the law currently is that there really are only two options for individuals to partake of the list in the law of different options, one is COBRA and two is a state-qualified health plan. As has been testified, some of the state-qualified health plans because of requirements in the law tend to be fairly expensive, but what we found in working with the IRS——

Mr. STARK. COBRA is not very cheap.

Mr. BISHOP. Right, COBRA can be very expensive as well. So if you go to the law, there are various options of what types of insurance you can get in the individual market and all that but the reality for most people is that the state-qualified coverage is about the only realistic option they have. We worked very, very hard in 2003, again, on a multiple-agency basis, HHS was very involved, the IRS and DOL in working with states to try to get state-qualified plans through insurers up and running and it was a very challenging process.

Mr. STARK. The insurers are not jumping up and down I do not think to get into this business, quite frankly.

Mr. BISHOP. It is not a large universe of people from an insurance standpoint.

Mr. STARK. Well, okay.

Mr. BISHOP. I am not an insurance expert.

Mr. STARK. It just occurs to me that part of this is that we are dealing with 50 different jurisdictions and different sets of rules and trying to apply a uniform Federal amount to these people and that we could simplify it actually if we took the risk. The fact is, and I do not know what the statistics would be, but the fact is if the people do not use, if the Federal Government were providing it and then people did not use the services, it does not cost us anything and so that while we can talk about average insurance costs for various Federal, whether it is VA or Medicaid or Medicare, it might be somewhat simpler. Thank you both and we welcome any thoughts because it would, as I say, by making your work simpler and less costly, I think we do a service to the relatively small number of people who need this under or are entitled to it under the Trade Adjustment Assistance. Thank you.

Mr. LEVIN. I have just a couple of points. I think we will ask GAO to comment, and perhaps the states, on your analysis regarding the expenditure process and the role of obligations. What may have been true three or 4 years ago may not be true today. So you are statement that you do not take into account the obligations that a state has may no longer be accurate and states may well be obligating funds on a 2-year basis because there is a commitment to someone for a 2 year period of training. You say that states who are gaming the system, and I think we ought to ask GAO and the states to comment on that. It will affect how we handle this. I am not sure the main issue is whether we should raise the amount of money for the present program, but, clearly, if we are going to expand the program to include service personnel and clarify the present rules, we are going to have to think about that.

I do not think your testimony, Mr. Bishop, talks about the expansion of the program to service industries, is that correct?

Mr. BISHOP. That is correct.

Mr. LEVIN. Why not?

Mr. BISHOP. At this time, the administration has not taken a position on that. I would just say that when it comes to service workers that, as part of the discussion that we have with the Congress, we have to really look at what does that mean? Service workers are a broad category of people, it can range from call centers to lawyers and it just is something that we would like to work with Congress on but yet also be mindful that it is a large group of people in the service sector and what does that actually mean with regards to globalization, service sector workers, and what the costs ultimately might be.

Mr. LEVIN. Have you looked at that?

Mr. BISHOP. We have started looking at some of that data, yes.

Mr. LEVIN. When do you think you will be ready to engage?

Mr. BISHOP. I think we, again, have some ideas, as I mentioned in my testimony, on fixing the basic foundation of the program. As we move into the summer and the like, again, if Congress would like to work with us on TAA reauthorization and the discussion around service workers, we can do that during the summer.

Mr. LEVIN. You mentioned the summer, when does the program end?

Mr. BISHOP. The authorization expires September 30th. Let me make one comment on that. We have actually talked to our lawyers at DOL and it is their opinion that there would be no impact on the program at all if Congress does not reauthorize it by September 30th. So, long as appropriations continue, there is not an issue.

Mr. LEVIN. I just wonder here it is June and the authorization ends in a few months, and I am not sure you are ready to engage us on the issue of service workers. How about, and I finish I guess with this except for one brief question, the GAO recommendation regarding the formula, are you committed to change, are you committed to considering change?

Mr. BISHOP. Yes, let me answer both of those questions. First, real quickly, the reason we have a hold-harmless at 85 percent was because any time you change the way you distribute money, and the states are the first to get worried about this, we wanted to assure that there would be a level and a commitment to the states that they would receive stable funding coming out of the start of this methodology. Again, IBM in their report in 2004 recommended having a hold-harmless.

Mr. LEVIN. That was a few years ago, correct?

Mr. BISHOP. Yes, 2004 was the first year we did this.

Mr. LEVIN. Okay.

Mr. BISHOP. Now that we have again believed that this methodology works, now that all states have achieved a level and stable playingfield with regard to this, we said, and we mentioned in the GAO report in our response in the GAO report that we are willing to take a look at more targeted funding for this program, whether it be how we do the reserve distribution at the end of the fiscal year if moneys are available or how we distribute funds at the beginning of the year.

Mr. LEVIN. You say you are willing to take a look, you run this program. If you believe in it, you should be more than willing——

Mr. BISHOP. No, we are willing to take a look but, again——

Mr. LEVIN. How about taking a look?

Mr. BISHOP. Well, we are taking a look, we definitely are. We are looking at two things: One, what makes the most sense in terms of changes and, two, again not to sound to bureaucratic but making sure we run it by our lawyers to assure that any time you are dealing with changes to funding allocations, often you come under administrative procedure requirements with potential rulemaking and other kinds of things, and so whatever we do we just have to make sure we do it in the context of administrative procedures.

Mr. LEVIN. Your testimony indicates that you support reauthorization. I take it you do not agree with the statement of at least one witness here that Federal programs do no good?

Mr. BISHOP. I do not agree with that statement. I will say this that I do believe, and I have witnessed, Federal programs can do good. I would say that a caveat to that is I do think one issue Federal employment training programs, I have been at the Department of Labor almost 6 years now, and I worked at the state level in this area, and I do think one thing we suffer from a bit is a lack of uni-

fied support that these programs have been effective over the last few decades, whether it be TAA, CETA, we had JTPA and now we have WIA, and I do think there is some question over time, and one of the reasons we are trying to get impact evaluation studies going in many of these programs and have accountability in outcomes is to demonstrate whether or not these programs are effective because that is important.

Mr. LEVIN. That impact study was due 2008?

Mr. BISHOP. No, we do not have a requirement on an impact evaluation. It is something we are going to look into.

Mr. LEVIN. What is the study that you said was due 2008 that is now coming 2011?

Mr. BISHOP. No, 2011, we have started a longitudinal 5 year impact evaluation of TAA and the final report will be in 2011, we will have some interim reports in the meantime.

Mr. LEVIN. That is a long time.

Mr. BISHOP. Well, that is the problem is any time you do actual gold standard impact evaluations, you have to compare outcomes over a five or 6 year period, and they do take a long time. It is one of the frustrations I know.

Mr. LEVIN. All right. Thank you very much. I guess a long hearing but a most useful one. We are going to have another one. So, this hearing is now adjourned.

[Whereupon, at 3:00 p.m., the hearing was adjourned.]

[Submissions for the Record follow:]

Statement of Illinois Department of Commerce

Thank you Mr. Chairman and members of the Committee, for the opportunity to share our perspective on the Trade Adjustment Assistance program.

Needless to say, the State of Illinois strongly supports reauthorization. We also applaud the Committee's interest in potential expansions of the program's current scope, to provide further assistance to a wider array of U.S workers to help ensure they succeed in the global economy.

Our comments here will focus on current aspects of the program—regarding both the employment and training assistance and trade readjustment allowances (TRA)—and opportunities for improvements that will better serve the people the program is intended to benefit.

Our recommendations, not necessarily in order of priority, are as follows:

1. Clarify a claimant cannot be held ineligible for TRA benefits because he/she has not complied with a deadline, unless the deadline is expressly spelled out in either the Trade Act or formally adopted rules interpreting the Trade Act. For example, USDOL takes the position that a claimant is not eligible for TRA benefits unless a) he/she is enrolled in training by a specific point (referred to as the 8/16 week deadline), or b) by that point, the state has waived the training-enrollment requirement. The Trade Act expressly provides enrollment must occur within the 8/16 week deadline, but imposes no deadline with regard to waivers. There is no formally adopted rule expressly extending the deadline to waivers. Requiring states to enforce deadlines not expressly established by statute or rule leaves them unnecessarily open to legal challenge.

2. Expressly permit critical deadlines, such as for enrollment in training or a waiver of the training-enrollment requirement (if a waiver deadline is expressly provided for) to be retroactively extended for a claimant who has missed the deadline through no fault of his/her own, as well as for other extenuating circumstances. For example, USDOL has taken the position that a training-enrollment waiver cannot be extended once it has lapsed and more than a week has passed since it lapsed.

3. Base an individual's weekly TRA benefit amount on the weekly benefit amount the individual received in regular unemployment benefits immediately following (a) his/her "first qualifying separation" from the trade-impacted job or (b) the "last qualifying separation," whichever will yield the higher weekly TRA benefit. Currently, the weekly TRA amount is tied to the regular-benefit amount payable following the first qualifying separation. However, it is not unusual for an individual

to be laid off from a trade-impacted job numerous times—*i.e.*, to have several qualifying separations—before finally being separated from the job. It is conceivable the individual's weekly regular-benefit amount will differ from one qualifying separation to the next. Tying the TRA benefit to the higher regular-benefit amount will more accurately reflect the earning capacity that has been lost. It will also improve the chances that the individual's TRA benefits will sustain the claimant and his/her family while the claimant completes training for a new job.

4. Institute a hold-harmless provision for individuals who requalify for regular unemployment benefits in the midst of a TRA claim. Currently, an individual is ineligible for any TRA benefits for any week for which he/she is eligible for regular unemployment benefits, even where the regular benefit amount is substantially less than the TRA benefit amount the individual had been receiving. A significant drop in weekly benefits may jeopardize the claimant's ability to continue with retraining. Under the hold-harmless provision, an individual's weekly TRA benefit would be reduced by the amount of regular benefits for which he/she was eligible, but the sum of the weekly regular and TRA benefits he/she received would equal the amount of weekly TRA benefits he/she had been receiving.

5. Excuse a TRA claimant from having to repay a TRA overpayment where the overpayment is not the claimant's fault. Currently, the claimant must also demonstrate very extreme financial hardship. The fact that the individual may now be supporting his/her family, receiving only a fraction of his/her prior wages, does not necessarily constitute severe enough financial hardship. Moreover, USDOL staff have indicated current law only permits a state to waive the requirement that a TRA overpayment be recouped through deductions from prospective payments—not to forgive the overpayment.

6. Provide an individual who leaves a trade-impacted job to take other employment is still an "adversely affected worker" for purposes of TRA benefits. To qualify for TRA benefits, an individual must be considered an adversely affected worker. To be considered as such, the individual must have separated from the trade-impacted job for lack of work. An individual who quits a trade-impacted job to begin working elsewhere, but is then laid off from the second job, is currently not considered an adversely affected worker, since he/she was not separated from the trade-impacted job for lack of work. The current approach provides a disincentive for trade-impacted workers to try to help themselves by finding work elsewhere and not waiting for the "bitter end" at their trade-impacted jobs.

7. Eliminate the current requirement that an individual must have applied for training within 210 days after first being certified as trade-impacted. The current 8/16 week deadline for training enrollment serves the goal of promptly getting trade-impacted workers into retraining. The 210-day requirement appears now to be largely a potential technical barrier to serving trade-impacted workers.

8. In the course of investigating a petition application, it would really help if USDOL would request from the company the list of affected employees. This would alleviate the problem of the short time frame in getting an employee list and notifying the workers of their deadlines for TRA. If USDOL does not want to commit to obtaining the employee list, would they consider mandating that the companies provide the list of affected workers to the states? Many of the eligibility problems stem from not having the lists of affected employees in a timely manner. Currently, non-notification or late notification (although not the customer's fault) is not an extenuating circumstance for missing the 8/16 deadline. The proposed regs however, do include this as an extenuating circumstance but the issue is the same. The goal of the TAA program is for dislocated workers to be re-employed as soon as possible. Any delay in receiving an employee list not only currently puts the customer at risk of missing the 8/16 deadline but also delays their re-entry into the workforce.

9. Because of the 104 training week time limit, on the whole Illinois can't train workers in the healthcare field. Most of these programs require pre-requisites and then a full two years of course work which exceeds the 104 training weeks allowed. A solution would be for DOL to allow us to consider pre-requisites as remedial training. The healthcare field has the highest demand for workers and is included in most of the State's Critical Skills Shortage Initiative projects. It is counterproductive that we can't train in fields where the need is the greatest and the wages are good. A guideline or suggested duration is much better than a strict limit. This issue was presented to USDOL in May 2006 at the National Rapid Response Summit. It was suggested that pre-requisites in the healthcare field be considered remedial. This would enable the states to train customers within the established training time limit of 104-week limit for regular training and up to 130 weeks if remedial classes are included.

10. USDOL's proposed rules make a bad situation worse by changing the 104 week limit from 104 actual training weeks to 104 consecutive weeks. In other words,

the clock continues to tick against the training weeks whether they are in training or not. Major problems with the 104-week that will be amplified with the proposed rule change:

- The scheduled breaks in training will be counted as training time. For workers who need remedial and vocational classes, the breaks between the scheduled classes will eat up weeks.
- Limited class size.
- Class availability and class cancellation—especially in rural areas.
- Full-time status. Workers that have not been in a classroom in 30 years may not be able to handle full time school. For customers with only 1 or 2 classes left, the full time requirement mandates that the balance of classes be filled—this is a waste of valuable TAA training money.
- In the new regs, the training institutions will be required to certify that a customer has attended all scheduled classes and activities—we fear most institutions will not do this.
- Remedial and pre-requisites need to be better defined.
- Customer will be disqualified from receiving TRA if the worker misses even a single class or activity in the training program week without good cause.

Thank you for your time and consideration.

Statement of National Association of Health Underwriters, Arlington, Virginia

The National Association of Health Underwriters (NAHU) is a trade association for health insurance agents and brokers, representing more than 20,000 health insurance producers nationally. Our members help millions of Americans find affordable health insurance every day and assist them in making that coverage work in the best possible way.

As the leading professional association for health insurance producers, our two principle public-policy goals are (1) reducing the number of uninsured Americans through private health insurance market solutions and (2) making sure that Americans have as many affordable and accessible private health insurance options available to them as possible.

As such, we were strong advocates of the Health Care Tax Credit when it was included in the Trade Adjustment Act of 2002 (TAA). Our association worked directly with many states regarding the implementation of the credit and the establishment of their purchasing options, and our members have helped many beneficiaries use the credit to obtain coverage. Over the course of the past five years, while working with the TAA health care tax credit, we have noticed a few issues that have hindered the success the success of the credit that could be improved when TAA is reauthorized.

State-Elected Purchasing Options

TAA provides a refundable tax credit to help eligible individuals purchase health coverage from a number of different sources. The legislation specifies that automatically, in all states, beneficiaries can use the credit to purchase health insurance through three sources—COBRA, a spouse's group health plan, or individual coverage if in force at least 30 days prior to separation of employment. The legislation also specifies seven additional purchasing options a state can choose to elect, like coverage through a high-risk pool or state-based continuation coverage. To date, 39 states plus Puerto Rico and the District of Columbia have elected additional options, leaving 11 states with only the automatic options or only the automatic options plus state-based continuation coverage.

Unfortunately, while the legislation does specify three automatic purchasing options, all beneficiaries do not have those options available to them personally. Individual coverage is not an option for the vast majority of recipients because they did not have it in-force prior to their job loss, and there are many beneficiaries who do not have access to coverage through a working spouse.

Many people assume that an individual who has lost coverage always has a COBRA option. This is not the case. Many TAA-eligible individuals worked for employers that have gone out of business. Since COBRA is an employer law, if there is no employer, there is no COBRA. The same holds true for state-continuation options. Also, many other eligible individuals worked for small employers for whom COBRA does not apply, and not all states have mandated continuation of coverage

options for smaller employers. Individuals who are eligible for the TAA credit because they receive benefits from the federal Pension Benefit Guarantee Corporation (PBGC) may have long since lost their employer-sponsored coverage.

Because many individuals do not have one of the automatic options available, this means that many individuals may be eligible for a tax credit but have no place to spend it. NAHU recommends that, during the reauthorization process, Congress revise the purchasing options to allow eligible individuals to purchase coverage available and approved in their state, without requiring a special state election.

Separate Guaranteed-Issue and Preexisting Condition Requirements for Each Purchasing Option

If a TAA-eligible individual has been previously insured for three months and has less than a 63-day break in coverage, any coverage option(s) selected by the state must provide coverage on a guaranteed-issue basis without application of a preexisting condition waiting period and at benefit levels and premiums that would be customary for a non-TAA-eligible individual purchasing the same type of coverage.

These provisions for guaranteed issue and waiver of preexisting conditions apply separately to each state-elected option, therefore, any option selected by the state must on its own provide for coverage to be guaranteed to qualified individuals, with no limitation for preexisting conditions. Even if a state elects both a high-risk pool and and an arrangement to provide coverage through an insurance carrier, each option must separately provide for guaranteed issue and a pre-existing condition waiver for eligible individuals, even though the very purpose of a high-risk pool is to guarantee coverage for those who do not meet underwriting guidelines in the individual health insurance market.

This lack of flexibility has resulted in fewer coverage options for eligible individuals, and has many eligible individuals paying far more for their share of premiums than they should. This has resulted in reports that the 35 percent share of premiums is too high for some eligible individuals to afford. In fact, the problem is that the rigid nature of the purchasing options is forcing a higher premium level than may be appropriate for the majority of those eligible under the program. This lack of flexibility does not improve choice or access, but rather limits it by making coverage unaffordable for some eligible individuals.

Lack of flexibility in the program also impacts the federal government in an even bigger way as the government is picking up 65 percent of the cost of coverage when the cost of that coverage could be significantly lower. It seems fiscally irresponsible for the United States government to pay an unnecessarily inflated price for health insurance coverage under the tax credit when other simple solutions exist.

The best situation would be to completely revise purchasing options to allow eligible individuals to purchase coverage available and approved in their state without requiring a special state election. At a minimum, it would make sense not to reinvent the wheel and have TAA requirements follow HIPAA portability law, which has a longer prior-coverage requirement and allows states to use their high-risk pool to guarantee access. Even under HIPAA, insurance carriers in states without high-risk pools estimate that they lose 18 dollars for every one dollar they receive in premiums from those who purchase coverage under HIPAA rules. Considering that the TAA requirements are significantly more restrictive on insurance carriers than those under HIPAA, it's easy to understand why participation by carriers under TAA has not been as robust as would have been preferable.

The reasoning for requiring that each option meet the provisions separately was that insurance carriers might turn down high-risk individuals and force them to obtain their coverage at a higher price through a high-risk pool or some other state guarantee mechanism. Yet, because of this rigid requirement, we've seen 15 states elect their high-risk pool as the ONLY option for anyone of any health status, even though far more affordable rates and more choices in coverage could be made available to eligible individuals through the traditional market. While high-risk pools provide critical access to health insurance for individuals in poor health, they were never designed to accommodate healthy individuals and their pricing structure is not designed for individuals in good health. If states with high-risk pools could make arrangements with one or more carriers to use their normal pricing and underwriting structure for eligible individuals and guarantee access to coverage for uninsurable individuals who meet prior-coverage requirements through the high-risk pool, it would be far better than the current arrangement for health insurance tax credit purchasing options. It would provide more choice for most individuals at a better price, which would also result in a better price for the United States government. And those who are uninsurable would have the same options they have now in the 13 states that have already elected a high-risk pool as their purchasing op-

tion and that could be elected as an option in the other 21 states with functioning high-risk pools.

Expansion of TAA

While expansion of the health care tax credit to other groups may seem like a logical next step, there are challenges in taking this course. First, while a number of states have elected options, not all of the options would be suitable if the eligible population grew from its current number to several million. For example, state high-risk pools, elected as the only option in 15 states, are not designed to handle large populations.

Second, cost will likely dictate that any expansion is limited to select populations and, with each possibility of limitation, specific issues arise. For example, if a person's period of eligibility was tied to being on unemployment compensation, then that would mean that a person would be eligible for the credit for a six-month period. A short-term risk like this is not attractive for insurance carriers with the current structure of guaranteed issue and preexisting conditions waivers in the TAA law and many might choose not to participate in the program. Third, even with a generous credit like the TAA credit, individuals and families who have substantially reduced income due to the loss of employment are significantly less able to come up with their own 35 percent share of the premium, particularly if the cost of coverage is artificially high as is the case with the current purchasing options.

An alternative solution would be to simply target low-income working individuals who make too much to qualify for Medicaid but not enough to afford health insurance on their own. We have seen over the years that the government's cost of some proposals for subsidizing the cost of health insurance coverage for low-income individuals can be very high. These costs can be made lower in several ways. First, credits or other subsidies can be phased out for the "higher" low incomes, although reduced subsidies can significantly reduce the ability of some individuals to come up with their share of the premium. If take-up rates are low, measures of the relative success of the program may appear low, simply because people in this income category for the most part live paycheck to paycheck and may have little to spend for health insurance.

Another way to control the cost is to make the subsidy available only to those who are currently uninsured. While this does have the down side of penalizing those who are already doing the right thing financially and buying coverage, it does measurably reduce the number of those who are actually uninsured. The period of uninsurance to determine eligibility should be fairly long, at least 12 months, so as not to create an incentive for those who are already insured to drop their current coverage in order to qualify.

Another way to control cost is to limit the duration of the subsidy. If this is done, the benefit should be at least two to three years (assuming that someone meets the income requirements for that length of time). Shorter periods are less-attractive risks for insurers and may invite adverse selection.

It should be noted that many people in this income category already have access to employer-sponsored coverage but can't afford to pay their share of premiums. This is particularly common with dependent coverage where the employer may pay some or all of the employee premium but none of the dependent premium. This employer/employee cost-sharing structure is quite common in small businesses that employ primarily low-income workers, as well as in certain areas of the country. Allowing employer-sponsored coverage, where the employer makes only a minimal contribution to be considered a qualified purchasing option, would help these employees maximize all sources of funding to better enable them to afford coverage. This could be combined with a qualifier that the individual have been uninsured for a period of time to limit cost.

Finally, if it is decided not to allow employer-sponsored coverage (other than COBRA) to be an allowable purchasing option, it is important to establish eligibility parameters that do not create incentives for employees to leave employer coverage to use the subsidy in the individual market. This could create a real problem particularly for small employers as insurers have participation requirements that can be difficult to meet if all employees don't participate. It could be a really big problem for employers whose workforce, however small, is highly concentrated towards low-income employees. The end result could be loss of coverage for those employees who are already insured as a result of inability of the employer to meet participation requirements. This can be avoided if language is included that says that if people are "eligible" for employer-sponsored coverage, then they are not eligible for the subsidy, as opposed to language that says that if they are "participating in" employer-sponsored coverage, they are not eligible.

With any of these eligibility choices, adequate flexibility in purchasing options is essential for success. Coverage must be affordable even for those with a subsidy or the program will not achieve its desired objective.

NAHU sincerely appreciates the opportunity to provide comment on the Committee on the Trade Adjustment Assistance Act and how its Health Care Tax Credit could be improved upon. If you have any questions, or if NAHU can be of further assistance, please do not hesitate to contact me.

Respectfully submitted,

Janet Trautwein
Executive Vice President and CEO

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